A technology- and intelligence-oriented Company that turns wisdom into business.
To Our Stakeholders

Our management philosophy is to maintain good and fair business practices, accelerating global “CHANGE” as we practice the Nagase Way.

The Nagase Group has come together as one 5,897-employee entity, working under the guidance of our Change-S2014 medium-term management plan to focus our expertise to create value in the most important components of our chemical value chain: Bio, Energy & Environment, and Electronics.

We started as a paint wholesaler in Kyoto back in 1832. As we began to import synthetic dyes from Basel Chemical Co, of Switzerland (modern-day BASF), we morphed into a specialized sales agent company representing the gold standard in the chemicals business, securing exclusive contracts to sell industry-leading products from America’s Union Carbide (Dow Chemical), GE Plastics (SABIC), and others.

Today, our business model is undergoing a major change. In 2000, we began to build out our manufacturing infrastructure to make fundamental structure changes. As a result, we were able to create a new Nagase—a technology- and intelligence-oriented company that turns wisdom into business. Our next task is to accelerate the pace of this change.

That is the role played by Change-S2014.

At the Nagase Group, our management philosophy is to maintain good and fair business practices, accelerating global “CHANGE” as we practice the Nagase Way.

July 2013

The Directors of NAGASE & CO., LTD.
The Nagase Group: A technology- and intelligence-oriented company that turns wisdom into business

In 1832, Nagase & Co., the central company of what would become the Nagase Group, was founded as a dyestuffs wholesaler in Kyoto, Japan. In 1900, the company started importing synthetic dyes from Basel Chemical Co. of Switzerland, pioneering new markets throughout the world in cooperation with its customers. Since that time, the Company has created a strong and growing foundation of technology, information, and expertise. Today, the Nagase Group boasts more than 6,000 leading corporate customers, numerous employees with advanced technical skills, a global network expanding throughout the world, strong manufacturing, research, and development functions, and a solid financial foundation.

Today, the Nagase Group combines trading company functions (in chemicals and a wide variety of fields), research and development functions, and manufacturing and processing functions organically. We are much more than a trading firm, having grown into a Group that can contribute to the growth of Japan’s chemical and other industries at the highest levels, meeting the varied needs of our customers. We have secured our position as a technology- and intelligence-oriented company (trading company) leading industry into the future.

Moving forward, the Nagase Group intends to exercise all efforts to generate more opportunities for growth, creating business with our customers around the world.

Corporate Profile

Message from the President

Nagase Group Businesses

Financial Foundation Supporting Business Growth

Advanced Materials & Processing

To Our Stakeholders

Corporate Profile

Our Strengths

Medium-Term Management Plan Change-S2014

13-Year Financial Highlights

Message from the President

Nagase Group Businesses

Functional Materials

Advanced Materials & Processing

Electronics

Automotive & Energy

Life & Healthcare

Global Network

Automotive & Energy

Life & Healthcare

Functional Materials

Advanced Materials & Processing

Electronics

Financial Foundation Supporting Business Growth

Corporate Governance

Risk Management and Compliance

Environmental Management

Social Contribution Activities

Together with Our Employees (Diversity, Work-Life Balance, and Professional Development)

Six-Year Summary

Management’s Discussion and Analysis of Operations and Finances

Consolidated Statements of Income

Consolidated Statements of Comprehensive Income

Consolidated Statements of Changes in Net Assets

Consolidated Statements of Cash Flows

Notes to Consolidated Financial Statements

Independent Auditor’s Report

Consolidated Subsidiaries, Affiliates and Offices

Corporate Information

Investor Information

Forward-Looking Statements

Non-historic information contained in this annual report related to NAGASE & CO. and Nagase Group revenue and profit plans, strategies, presumptions, etc. are forward-looking statements that are subject to factors beyond the Company’s control, including actual business results, market conditions, the impact of changes in business environment, and other factors that could impact future results. Accordingly, the reader is cautioned to refrain from relying entirely on these statements.
Our Strengths

In the more than 180 years since our founding, NAGASE & CO. has built a wealth of proprietary technologies and database of information. Today, our strengths lie in our Group-wide manufacturing and research and development functions, as well as in our unsurpassed global network. These strengths have helped us create a business that adds consistent value at every stage in the value chain—from research and development to manufacturing and processing to sales. We are creating integrated businesses that combine these strengths with our long-standing trading company functions (logistics, risk assumption (credit risk), cross-selling).

The Nagase Group Business Model

Nagase's Unique Strengths

- Manufacturing and Processing Functions
- Technical Group Function
- Technological Capacity and Information Gathering Functions
- Research and Development Functions (R&D Center)
- Global Network
- Value Chain (complete: upstream to downstream)

Traditional Trading Company Functions

- Logistics
- Risk Assumption (Credit Risk)
- Cross-selling

Integration

- Consulting/Proposal
- Creating New Value

Business Creation

- Improvement
- Investment
- Strategic Deeper
- Wisdom

Manufacturing and Processing Functional Research and Development Functions

- Solid Financial Foundation

As of the last day of the fiscal year ended March 31, 2013, our manufacturing and sales employees included a total of 46,182, including the strong financial foundation of the Nagase Group. The strong financial foundation has given the Nagase Group an attractive cost structure.

Global Network

The Globally Expanding Nagase Network

The Nagase Group is engaged in activities around the world that rely on the use of chemicals across a wide spectrum of products and services through our Functional Materials, Advanced Materials & Processing, Electronics, Automotive & Energy, and Life & Healthcare segments. These products and services include developments, creating materials or inks, surfactants, office automation (OA), electrical equipment, home electronics, automobiles, LCDs, semiconductor, pharmaceutical-medical applications, cosmetics, and functional food ingredients.

We have grown to become a global technology and information network with 510 companies in 23 overseas countries and 5,887 employees (consolidated) worldwide. As a result, overseas sales accounted for 47.5% of consolidated net sales. We will continue to pursue a course of stronger marketing in all regions, leveraging investment in growth markets and international projects to create new overseas businesses.

During Fiscal 2012, the Nagase Group established its first business in Brazil for the purpose of monitoring the biotechnology business and other developing businesses in South America.
Manufacturing and Processing Functions/Research and Development Functions

PRODUCTION/ R&D FUNCTIONS

While the Nagase Group has worked from day one to expand our business as an almost exclusive importer and agent for foreign companies, changes in the market structure of Japan have meant that our competitive advantage in this country has declined gradually. In response to this trend, we defined a new business model for the Nagase Group in the year 2000, strengthening our manufacturing functions to add greater value and improve our business offerings as a technology- and intelligence-oriented company that turns vision into business. Today, the Nagase Group counts 50 manufacturing and processing companies in our family. As a group, we work in pharmaceuticals, functional polymers, electronics materials, plastics, cosmetics, and functional food ingredients production and processing, creating our own value-added products in addition to intermediary business. In addition, the Nagase Group’s R&D Center works closely with Group manufacturing companies in all fields, engaging in research and development activities. As a result, our manufacturing businesses account for more than 37% of operating profit, and have led to a notable improvement in our gross profit ratio as well.

50 companies in 13 countries

During fiscal 2012, Hayashibara Co., Ltd. decided to move the Shiyama No. 1 Plant (important for manufacturing functional saccharides) and improve its manufacturing capabilities. The goals of this initiative were to improve manufacturing efficiency, to ensure the stable supply of existing products, to produce products, and to deal with the production of new products. The Group has likewise made the decision to establish a new Nagase Chemicals (Hankyu) Corp. and production development facility to enhance the company’s ability to develop customized products that meet the needs of the local customers in the electronics industry.

Financial Foundation Supporting Business Growth

Investing for Greater Corporate Value

The Nagase Group does not engage in investment or financing for purposes of speculative income generation. Through manufacturing, R&D, technology, business intelligence, and a global network—which we perceive as our competitive strengths along our Group value chain—the Nagase Group Business Model—we create unique and highly competitive businesses. These businesses allow us to improve our interest margin and value as a corporation.

Our Change-2104 medium-term management plan fiscal 2012 through fiscal 2014 calls for ¥46.0 billion in investments and financing. We intend to follow these policies to continue to grow as a business. When investing, we will always improve cash flows of the businesses, enhance cash systems in order to understand efficiency and effectiveness of investment, and raising corporate value. In order to maintain stable financial strength, we have determined D/(D+E) = 33% (D/E = 1/2) as the maximum level of debt to equity and we try to raise corporate value by maintaining or even improving our ratio.

Liabilities and interest-bearing debt grew significantly during fiscal 2013. These funds were raised from financial institutions or through the issuance of unsecured bonds for the purpose of acquiring of Hayashibara Co., Ltd. and the conversion of that company’s net worth into liabilities, the Group maintained a financially sound shareholders’ equity ratio of 46.9% (as of March 31, 2013).

Manufacturing/ Processing Ratio

<table>
<thead>
<tr>
<th>Manufacturing Ratio</th>
<th>Operating Profit / Net Sales</th>
<th>Sales</th>
<th>Operating Profit</th>
<th>Manufacturing Ratio</th>
<th>Operating Profit / Net Sales</th>
<th>Sales</th>
</tr>
</thead>
<tbody>
<tr>
<td>120%</td>
<td>12.1</td>
<td>12.3</td>
<td>12.1</td>
<td>120%</td>
<td>12.1</td>
<td>12.3</td>
</tr>
<tr>
<td>115%</td>
<td>11.9</td>
<td>12.1</td>
<td>11.9</td>
<td>115%</td>
<td>11.9</td>
<td>12.1</td>
</tr>
<tr>
<td>110%</td>
<td>11.5</td>
<td>11.7</td>
<td>11.5</td>
<td>110%</td>
<td>11.5</td>
<td>11.7</td>
</tr>
<tr>
<td>105%</td>
<td>11.1</td>
<td>11.3</td>
<td>11.1</td>
<td>105%</td>
<td>11.1</td>
<td>11.3</td>
</tr>
<tr>
<td>100%</td>
<td>10.7</td>
<td>10.9</td>
<td>10.7</td>
<td>100%</td>
<td>10.7</td>
<td>10.9</td>
</tr>
<tr>
<td>95%</td>
<td>10.3</td>
<td>10.5</td>
<td>10.3</td>
<td>95%</td>
<td>10.3</td>
<td>10.5</td>
</tr>
<tr>
<td>90%</td>
<td>9.9</td>
<td>10.1</td>
<td>9.9</td>
<td>90%</td>
<td>9.9</td>
<td>10.1</td>
</tr>
<tr>
<td>85%</td>
<td>9.5</td>
<td>9.7</td>
<td>9.5</td>
<td>85%</td>
<td>9.5</td>
<td>9.7</td>
</tr>
<tr>
<td>80%</td>
<td>9.1</td>
<td>9.3</td>
<td>9.1</td>
<td>80%</td>
<td>9.1</td>
<td>9.3</td>
</tr>
<tr>
<td>75%</td>
<td>8.7</td>
<td>8.9</td>
<td>8.7</td>
<td>75%</td>
<td>8.7</td>
<td>8.9</td>
</tr>
<tr>
<td>70%</td>
<td>8.3</td>
<td>8.5</td>
<td>8.3</td>
<td>70%</td>
<td>8.3</td>
<td>8.5</td>
</tr>
</tbody>
</table>

Gross Profit Ratio

<table>
<thead>
<tr>
<th>Gross Profit Ratio</th>
<th>Net Sales</th>
<th>Operating Profit</th>
<th>Gross Profit Ratio</th>
<th>Net Sales</th>
<th>Operating Profit</th>
</tr>
</thead>
<tbody>
<tr>
<td>120%</td>
<td>12.1</td>
<td>12.3</td>
<td>120%</td>
<td>12.1</td>
<td>12.3</td>
</tr>
<tr>
<td>115%</td>
<td>11.9</td>
<td>12.1</td>
<td>115%</td>
<td>11.9</td>
<td>12.1</td>
</tr>
<tr>
<td>110%</td>
<td>11.5</td>
<td>11.7</td>
<td>110%</td>
<td>11.5</td>
<td>11.7</td>
</tr>
<tr>
<td>105%</td>
<td>11.1</td>
<td>11.3</td>
<td>105%</td>
<td>11.1</td>
<td>11.3</td>
</tr>
<tr>
<td>100%</td>
<td>10.7</td>
<td>10.9</td>
<td>100%</td>
<td>10.7</td>
<td>10.9</td>
</tr>
<tr>
<td>95%</td>
<td>10.3</td>
<td>10.5</td>
<td>95%</td>
<td>10.3</td>
<td>10.5</td>
</tr>
<tr>
<td>90%</td>
<td>9.9</td>
<td>10.1</td>
<td>90%</td>
<td>9.9</td>
<td>10.1</td>
</tr>
<tr>
<td>85%</td>
<td>9.5</td>
<td>9.7</td>
<td>85%</td>
<td>9.5</td>
<td>9.7</td>
</tr>
<tr>
<td>80%</td>
<td>9.1</td>
<td>9.3</td>
<td>80%</td>
<td>9.1</td>
<td>9.3</td>
</tr>
<tr>
<td>75%</td>
<td>8.7</td>
<td>8.9</td>
<td>75%</td>
<td>8.7</td>
<td>8.9</td>
</tr>
<tr>
<td>70%</td>
<td>8.3</td>
<td>8.5</td>
<td>70%</td>
<td>8.3</td>
<td>8.5</td>
</tr>
<tr>
<td>65%</td>
<td>7.9</td>
<td>8.1</td>
<td>65%</td>
<td>7.9</td>
<td>8.1</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Rating and Investment Information, Inc.</th>
<th>Issuer</th>
<th>Credit Rating</th>
</tr>
</thead>
<tbody>
<tr>
<td>NAGASE &amp; CO., LTD.</td>
<td>A</td>
<td></td>
</tr>
</tbody>
</table>
**Change-S2014 Medium-Term Management Plan** (Fiscal 2012 through Fiscal 2014)

**Basic Strategies**

**Speed Up**
Accelerate the improving quality of our business and operations

**Step up**
Bring the total strength of the Nagase Group to bear throughout the value chain in our strategic markets

**Sustainable growth**
Expand our unique solutions globally, creating sustained growth

The theme of **Change-S2014** is to ACCELERATE “CHANGE”, pursuing a basic strategy as outlined above to achieve growth based on a value-chain strategy, focused on markets using technologies from bio, environment and energy, and electronics.

Of the five Nagase business segments, Functional Materials is located at the top of the value chain. The Advanced Materials & Processing segment is located in the next stage of the value chain, followed by the Electronics, the Automotive & Energy, and the Life & Healthcare segments functioning across all industries. These five segments are tasked with ACCELERATING “CHANGE”, following two key strategies: Globalization and the creation of high-added-value businesses and create new opportunities by taking advantage of the Group’s strengths in core fields related to bioscience, environment and energy, and electronics. This will be accomplished by combining the Group’s foundational technologies with the functions of each business segment.

**Environment/Energy Initiatives**

The theme of Change-S2014 is to ACCELERATE “CHANGE”, pursuing a basic strategy as outlined above to achieve growth based on a value-chain strategy, focused on markets using technologies from bio, environment and energy, and electronics.

The Nagase Group is creating a new business model anticipating global technological innovations in green energy, bringing our entire force to bear in businesses focused on friendly manufacturing (using electricity generated from solar power, wind power, and other renewable sources), smart grids, and energy conservation systems, as well as next-generation automobiles that make smart use of resources. We are also advancing research into reducing the environmental burden of business, such as chemical recycling and creating lighter components for automobiles.

**Electronics Initiatives**

The electronics field is one of rapid technological innovation and structural change. Here, our goal is to expand our business by offering highly innovative technologies, products, and services that meet the needs of our customers. At the same time, we are moving forward in strengthening our overseas manufacturing and development functions to accelerate our growth in the global market.

**Stronger Management Foundation**

Where the Japanese market has slowed compared to the growing markets in emerging countries, the Nagase Group has chosen to focus on expanding business in emerging and other international markets, establishing high-added-value businesses using our manufacturing and processing functions.

Through investments in manufacturing, we have increased Group-wide manufacturing and processing bases in Japan and around the world, changing the fundamental shape of internal risk in the Group’s manufacturing businesses. To respond to these internal and external changes, we are engaged in creating a stronger consolidated management structure, building more mature risk management policies, and developing higher-caliber human resources.

- **Improved Consolidated Management Structure**
  With respect to strengthening the consolidated management structure, we continue to build a more efficient Group management structure, encourage personnel interchange within the Group, and improve our IT infrastructure. To ensure a sound financial foundation, we are working to balance liabilities and equity at prudent levels, while keeping an eye open for any changes in our credit rating. At the same time, we are improving our ability to forecast present and future operating cash flows to balance investment (risk assets) and operating cash flows properly. From a perspective of efficient asset utilization, we are replacing older assets with newer, more profitable assets.

- **Stronger Risk Management**
  - Risk Management and Compliance
    We are in the process of putting stronger systems into place for internal controls, risk management, and transaction risk control across the Group’s companies.
  - Human Resources Staff Training
    - Professional Development
      We are also in the process of establishing a stronger Group management foundation through hiring, training, and utilizing a talented workforce that can respond to the diverse demands of our businesses.
## 13-Year Financial Highlights

### NAGASE & CO., Ltd. and Consolidated Subsidiaries (Years Ended March 31)

### (Millions of Yen) (Millions of Yen)

**Change**

- **2014** (Improving quality of our business and operations)
- **2015/1**
- **2016/1**

**Investment Amount:** ¥23.7 billion  
**Investment Amount:** ¥27.7 billion  
**Investment Amount:** ¥20.2 billion  
**Investment Amount:** ¥107.4 billion

### Performance (Accounting Fiscal Year)

<table>
<thead>
<tr>
<th>Segment</th>
<th>FY 2003/1</th>
<th>FY 2004/1</th>
<th>FY 2005/1</th>
<th>FY 2006/1</th>
<th>FY 2007/1</th>
<th>FY 2008/1</th>
<th>FY 2009/1</th>
<th>FY 2010/1</th>
<th>FY 2011/1</th>
<th>FY 2012/1</th>
<th>FY 2013/1</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net Sales</td>
<td>¥559,372</td>
<td>¥490,583</td>
<td>¥503,688</td>
<td>¥533,301</td>
<td>¥575,636</td>
<td>¥648,023</td>
<td>¥701,321</td>
<td>¥764,755</td>
<td>¥715,238</td>
<td>¥603,949</td>
<td>¥660,213</td>
</tr>
<tr>
<td>Functional Materials (formerly Chemicals)</td>
<td>¥237,871</td>
<td>¥218,524</td>
<td>¥223,656</td>
<td>¥231,360</td>
<td>¥251,725</td>
<td>¥222,282</td>
<td>¥247,094</td>
<td>¥267,836</td>
<td>¥248,461</td>
<td>¥237,124</td>
<td>¥187,126</td>
</tr>
<tr>
<td>Advanced Materials &amp; Processing (formerly Plastics)</td>
<td>¥205,460</td>
<td>¥175,252</td>
<td>¥165,810</td>
<td>¥170,996</td>
<td>¥188,456</td>
<td>¥229,278</td>
<td>¥244,691</td>
<td>¥274,660</td>
<td>¥253,029</td>
<td>¥192,569</td>
<td>¥217,909</td>
</tr>
<tr>
<td>Electronics</td>
<td>¥103,382</td>
<td>¥83,660</td>
<td>¥99,759</td>
<td>¥118,978</td>
<td>¥122,632</td>
<td>¥132,086</td>
<td>¥150,796</td>
<td>¥163,833</td>
<td>¥153,255</td>
<td>¥117,591</td>
<td>¥133,640</td>
</tr>
<tr>
<td>Automotive &amp; Energy</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>76,113</td>
<td>83,068</td>
<td>123,040</td>
<td>171,123</td>
<td>217,209</td>
<td>214,546</td>
<td>110,100</td>
<td>110,100</td>
</tr>
<tr>
<td>Life &amp; Healthcare (former Healthcare/Other)</td>
<td>¥12,658</td>
<td>¥13,146</td>
<td>¥14,461</td>
<td>¥11,966</td>
<td>¥12,821</td>
<td>56,404</td>
<td>53,556</td>
<td>56,489</td>
<td>58,905</td>
<td>55,542</td>
<td>49,110</td>
</tr>
<tr>
<td>Domestic</td>
<td>¥392,555</td>
<td>¥341,102</td>
<td>¥337,531</td>
<td>¥349,557</td>
<td>¥363,708</td>
<td>¥388,470</td>
<td>¥410,789</td>
<td>¥432,813</td>
<td>¥394,874</td>
<td>¥360,382</td>
<td>¥389,379</td>
</tr>
<tr>
<td>Overseas</td>
<td>¥166,817</td>
<td>¥149,481</td>
<td>¥166,157</td>
<td>¥183,744</td>
<td>¥211,928</td>
<td>¥259,553</td>
<td>¥290,532</td>
<td>¥331,942</td>
<td>¥320,364</td>
<td>¥243,567</td>
<td>¥304,301</td>
</tr>
<tr>
<td>Net Income (Loss)</td>
<td>¥4,945</td>
<td>(2,097)</td>
<td>4,186</td>
<td>7,010</td>
<td>10,384</td>
<td>12,892</td>
<td>13,567</td>
<td>10,005</td>
<td>5,808</td>
<td>7,537</td>
<td>12,823</td>
</tr>
<tr>
<td>Financial Condition:</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total Assets</td>
<td>¥3,537,765</td>
<td>¥3,000,733</td>
<td>¥2,844,803</td>
<td>¥3,103,703</td>
<td>¥3,205,280</td>
<td>¥3,368,773</td>
<td>¥3,439,859</td>
<td>¥3,705,069</td>
<td>¥3,235,808</td>
<td>¥2,908,088</td>
<td>¥3,753,356</td>
</tr>
<tr>
<td>Equity Capital</td>
<td>153,498</td>
<td>144,176</td>
<td>140,944</td>
<td>156,210</td>
<td>167,092</td>
<td>196,620</td>
<td>205,083</td>
<td>200,554</td>
<td>184,599</td>
<td>195,344</td>
<td>204,706</td>
</tr>
<tr>
<td>Interest-Bearing Debt</td>
<td>23,878</td>
<td>19,677</td>
<td>16,578</td>
<td>16,417</td>
<td>14,019</td>
<td>24,834</td>
<td>20,491</td>
<td>33,342</td>
<td>31,340</td>
<td>21,886</td>
<td>48,710</td>
</tr>
</tbody>
</table>

### Financial Condition:

- **Total Assets:** ¥3,537,765  
- **Equity Capital:** 153,498
- **Interest-Bearing Debt:** 23,878

### Per Share Data:

- **Net Income (Basic):** ¥35.28
- **Cash Dividends:** 8.0
- **Payout Ratio (%):** 22.5
- **Shareholders’ Equity Dividend Rate (%):** 0.77

### Ratios:

- **Overseas Sales to Net Sales:** 29.8%
- **Operating Margin (Operating Income/Net Sales):** 1.4%
- **Return on Equity (ROE):** 3.4%
- **Net Worth Ratio:** 43.4%

### Notes:

1. Beginning with the fiscal year ended March 2010, the Company has moved its information and functional materials businesses handling materials related to insulating materials and fluoroplastic-related materials from the Electronics segment to the Chemicals segment. Businesses handling surface detection machines for functional films and sheets have been moved under the Plastics segment. The Automotive & Energy segment was organized out of the Automotive Solutions Department (belonging to the Plastic segment) and the Energy Business Office, which was businessed as an integrated entity from the Environment & Energy Office (under Other) and the Energy Device Office.

2. During the fiscal year ended March 2013, the Nagase Group reorganized its four business segments into five business segments (Functional Materials, Advanced Materials & Processing, Electronics, Automotive & Energy, and Life & Healthcare) to more fully reflect the respective positions of each business in the value chain. For comparative purposes, fiscal 2011 figures have been calculated using the new business segments. The Colors & Imaging Department formerly under the Chemicals segment has been moved under the Advanced Materials & Processing segment. The Automotive & Energy segment was organized out of the Automotive Solutions Department (belonging to the Plastic segment) and the Energy Business Office, which was businessed as an integrated entity from the Environment & Energy Office (under Other) and the Energy Business Office.

---

**Composite Ratio of Net Sales by Region**

- **North America:** 3.8%
- **Europe:** 2.6%
- **Japan:** 54.3%
- **Northeast Asia:** 26.6%
Message from the President

The Nagase Group is growing our presence in the bio, environment/energy, and electronics fields through intersegment cooperating and investment, driving strategic growth.

President
Hiroshi Nagase

Reflection on Fiscal 2012 Earnings

For the fiscal year ended March 2013, the Nagase Group recorded higher year-on-year revenues and profits, with consolidated net sales of ¥666.272 billion (5.4% year-on-year increase), consolidated operating profit of ¥15.578 billion (14.9% year-on-year growth), and consolidated net income of ¥14.163 billion (65.5% year-on-year increase). This growth is a result of several positive factors (‘plus factors’) and factors that placed downward pressure on growth (‘minus factors’).

Plus Factors
- Domestic sales increased by ¥116.105 billion (16.0% year-on-year increase). The Advanced Materials & Processing segment recorded higher revenues and profits, with net sales of ¥214.546 billion (1.6% year-on-year decrease) and operating profit of ¥2.386 billion (19.9% year-on-year decrease).
- Overseas sales increased by ¥53.024 billion (12.0% year-on-year increase). The Automotive & Energy segment experienced higher revenues and profits, with net sales of ¥111.855 billion (1.1% year-on-year decrease) and operating profit of ¥6.297 billion (4.6% year-on-year increase).

Minus Factors
- Economic stagnation in Europe and the anti-Japanese sentiment in China due to the Senkaku Islands issue were two factors that placed downward pressure on growth. As a result, the Nagase Group saw a strong 45.7% of consolidated sales (3.7 point year-on-year increase). We saw particular growth in Northeast Asia (121.0% year-on-year growth), with net sales of ¥175.965 billion (13.0% year-on-year growth), and Southeast Asia (17.8% to ¥85.881 billion. The Group recorded ordinary income of ¥47.52 billion (14.3% year-on-year increase). While the Group recorded higher interest expense for long-term funds raised for purchasing Hayashibara Co., Ltd., we also saw higher equity method income. The Group recorded net income of ¥14.18 billion (65.5% increase), or an impairment loss of ¥1.83 billion for loss-portfolio manufacturing facilities offset by a gain on sale of non-current assets (replacement of business-use land) in the amount of ¥3.35 billion. We also recorded deferred tax assets of ¥1.42 billion, considering a possible recovery of deferred tax assets related to Hayashibara’s loss carryforwards based on the business plan.

Change-S2014 Medium-Term Management Plan: First-Year Initiatives

Our Change-S2014 medium-term management plan is a plan that builds upon the five goals of the “CHANGE” plan: (1) Speed up the pace of reform; (2) Pursue growth in Life Sciences and Environment/Energy businesses; (3) Facilitate greater intersegment cooperation; (4) Create a stronger management matrix at the intersection of business and geographical location; and, (5) Pursue higher added-value in our businesses. The overall theme of Change-S2014 is ACCELERATE “CHANGE”, adopting value-chain strategies in our target fields, namely, bio, environment/energy, and electronics.

Consumer cooperation lies at the core of our value-chain strategy. The Functional Materials segment is positioned to provide upstream information, while the Advanced Materials & Processing segment is positioned to function mid-way between upstream and downstream, and is responsible for sharing function-related information in both directions. The Electronics segment puts out information regarding electronics market needs and needs. The Automotive & Energy segment shares information about trends in smart cities, automotive and renewable energy. Lastly, the Life & Healthcare segment generates and shares information regarding the expansion of Hayashibara products in the market. The Group has been very focused and active in information generation and sharing, as well as the sharing of exchange programs, the results of which have shown good progress in the first year of our new management plan.

One example of this type of cooperation is how we have vastly improved our staffing programs and logistics functions through intersegment cooperation with respect to our work with major U.S. smartphone and tablet manufacturers. As a result of this work, we have expanded the types of products in each of the deals. We have also established more timely communications among our locations and segments with respect to U.S. Engineered Materials Systems Inc. (converted to a Group subsidiary as of fiscal 2011) formulated export business. At the same time, we established a Regional Operating Centre (virtual organization with functions to integrate businesses) in Singapore. These measures have helped us quickly ramp up our strategic projects in ASEAN (e.g., automotive field, OA field, Hayashibara and other business food products, cosmetics and perfumes, etc.). We are seeing moves to this type of cooperation in all aspects of our business, which I believe has greatly expanded our vision of the long term.

I believe that the change in mind-set among local overseas staff and the increase in the volume of information shared locally has played a vital role in building the foundation of these cooperative activities. These are the results of one of our four initiatives from ‘CHANGE’; i.e., local management and staff training. Having promoted more local management and staff training, we have come a long way in realizing a future where local staff, rather than Japanese assignees, run local entities themselves. At the same time, we have
New Growth Strategies: Bio Vision (Hayashibara and Others)

To date, the Nagase Group business portfolio has been heavily weighted toward the economy-sensitive electronics and automobile sectors. This has meant that our business has been affected to a larger degree by the ups-and-downs of the economy. It goes without saying that we have made great strides in improving our portfolio by adding Hayashibara and building a stronger bio business. We have re-examined our business structure for the future of our Life & Healthcare segment, reproducing this segment to contribute to healthier, happier lifestyles in our target, food/beverages, cosmetics/pharmaceuticals, and pharmaceutical/medical materials businesses.

First in our specific growth strategies is to focus on marketing for Hayashibara functional saccharide materials and Nagase Chemicals Corp. enzymes/phospholipid materials, cultivating products in the food and cosmetics/healthcare fields. We are focusing particularly on overseas business development for Hayashibara’s trehalose (TREHA) functional saccharide materials and stabilized vitamin C (AA2G) products. At the same time, we are beginning to look at possibilities for general commercial uses of these products. Meanwhile, we are developing and launching new products, including monocrovel Hesperidin (Hesperidin), used in food for specified health use.

A second strategy is in the Nagase Group’s pursuit of development in bio-derived chemicals. As fossil resources are depleting, the advent of shale gas has been prominent in the energy sector, however, the bio-related technologies in this field are also gaining traction around the world. There are mainly three factors within this point: (1) Development of functional products through the hybridization of organic biotechnology and chemical technology; (2) Existing chemical alternatives in bio-technologies; and, (3) Development of basic technologies for specialty chemicals. We are approaching these business opportunities from a manufacturer’s perspective, rather than as traditional buy-sell businesses.

To accomplish these growth strategies, we are re-examining our Group R&D functions, clarifying the roles between corporate R&D and manufacturing company R&D, delayering deeper into our proprietary fields. At the same time, we are working to beef up Group-wide R&D functions in coordination with all Group companies. We are reconceiving the operating structure for our corporate R&D (Nagase R&D Center) to clearly define Group-wide functions and technological areas we as we build our bio-related business. In April 2013, the Nagase Group established the R&D Center Management Group. The purpose of this organization is to broaden and share information about the Nagase R&D Center research and development operations with each division and manufacturing company in the Group.

We encourage our readers to reference the Group’s Change-S2014 medium-term management plan to understand our strategies for growth in environment and energy, electronics, and other segments.

Toward Better Investment Quality and Results

Under our Change-S2014 medium-term management plan, we intend to invest a total of ¥40.0 billion over the course of three years. More specifically, we will dedicate ¥30.0 billion in new investments in core fields, with another ¥10.0 billion scheduled for investing in existing facility upgrades. For fiscal 2012, we invested ¥13.35 billion, allocated as shown in the following table.
The Group purchased the building next to the present Tokyo headquarters building for the purpose of gaining operating efficiencies by consolidating widespread Group company locations. The Group is also constructing a building near the existing factory in Sendagaya (Tokyo). This facility will offer employee training and cooperative project conferences, as well as complement the Tokyo headquarters business continuity planning functions during times of disaster or other crisis. With respect to joint project conferences, in particular, the Group had difficulties in securing meeting space near Narita Airport, which is a convenient location for visitors from different countries. The Group expects to see even more in the way of emerging businesses and talented employees.

The Nagase Group Investment Guidelines

To extricate ourselves from a business model relying on master distributor licenses, the Nagase Group committed in the year 2000 to strengthening our own manufacturing functions, investing over a 12-year period in our manufacturing capacity, beginning with our WIT management plan (fiscal 2000 through fiscal 2008) and extending through our "CHANGE" plan (fiscal 2009 through fiscal 2011). One of the main concepts in our current Change-S2014 medium-term management plan is the creation of high-added-value businesses, under which we plan to invest in improving Group functions. Looking back over the past 12 years, we noted several unprofitable investments and investments in which we did not gain the intended synergies, calling for the need to establish clearer investment standards. Our Investment Guidelines and Investment Checklist are two tools designed to improve the quality of Nagase Group investments.

Specifically, the Group is considering qualitative information regarding market trends, competitive advantage, Group synergies, operating systems, and likely risks. Investments will be quantitatively measured for profitability using the discounted cash flow method, and only those proposed investments meeting a certain return will be executed. Once made, investments will be periodically reviewed according to internal review/evaluation standards. The Group will take necessary measures as a result of deliberations to prevent the expansion of any losses.

While the Group had established standards for investments, the newly revised guidelines will ensure a shared understanding of an investment Group-wide, as well as a clear checklist of requirements prior to the execution of any investment. Improved investment due diligence. As a result, we believe these measures will lead to greater investment precision and more rapid decision-making.

Last year, the Group decided to withdraw from our plastic shipping trap product manufacturing business in China, our LCD optical film processing business, and our domestic semiconductor wafer plating business run under Nagase Chemtex Corp.

FYE March 2014 Earnings Outlook

The Nagase Group expects an improvement in the near-term export environment due to the lower valuation of the yen, as well as a recovery in consumer sentiment based on general market recoveries. At the same time, North America and Asia are projected to continue a strong recovery. Despite these positive factors, the longstanding financial struggles in Europe mean that the future direction of the global economy is far from clear. In this environment, the Group forecasts higher revenue, spurred by growth in the smartphone and tablet markets overseas—particularly in Greater China and ASEAN—as well as a recovery in manufactured units of office equipment, appliances, and automobiles. Meanwhile, the Group saw domestic growth in smartphones and tablets similar to foreign markets. However, lump-sum amortization of actuarial differences in the NAGASE & CO. retirement benefit obligations and the associated increase in retirement benefit expenses, combined with increased development investment costs in the Life & Healthcare business, will result in slightly narrower earnings growth. As a result, the Nagase Group forecasts consolidated net sales of ¥764.0 billion (14.7% year-on-year increase), with gross profit of ¥93.3 billion (13.1% increase), operating profit of ¥19.2 billion (23.2% increase), ordinary income of ¥21.0 billion (17.1% increase), and net income of ¥14.5 billion (22.1% increase). The Group has assumed a currency exchange rate of ¥95 to one U.S. dollar for these calculations.

Corporate Governance, Dividends, Shareholders’ Equity Policies

The Nagase Group believes that a strong corporate governance function is an important management issue. As such, the Group actively works to bring in outside directors who have an extensive knowledge of the petrochemical and manufacturing industries, as well as a wealth of management experience in business.

In fiscal 2012, in addition to Iwao Nakamura (from Nissan Diesel Motor Co., Ltd. [currently UD Trucks Corporation]), the Nagase Group welcomed Yasuo Nishiyama (from KYOCERA Corporation) as a new outside director to strengthen our Board. The Board of Directors has held active discussions regarding product quality, profitability, and investment quality, stemming from differences in the traditional NAGASE & CO. trading company business and the Group’s manufacturing businesses.

Dividends, Shareholders’ Equity Policies

Our basic policy concerning dividends is to continue to make stable payments to our shareholders based on consolidated achievements, reflecting improving earnings capacity and corporate infrastructural integrity. Given this policy, we have committed to an end-of-year per share dividend of ¥13 (full-year dividend of ¥26 per share, including a ¥13 per share interim dividend). This decision was based on considerations of consolidated payout ratio, consolidated debt-to-equity ratio, and a corporate goal to pay increasing dividends. With higher profits from the addition of Hayashibara as a Group subsidiary, the Group has implemented a dividend increase according to the policies noted above.

Based on the preceding policies, the Group has set a goal to improve the dividend on equity ratio (DOE) over the medium term, working to improve Group-wide business and operations quality under the guidance of our Change-S2014 medium-term management plan, increasing dividends per share through stronger earnings.

The Group is focused on increasing profits as the basic path toward the target ROE of 8% defined in our Change-S2014 management plan. Our emphasis on investment to create high-value-added businesses is exactly for this purpose. The Nagase Group strives to improve overall returns to our shareholder, balancing investment for continued business growth with direct shareholder returns such as dividends and stock sales or buybacks.

July 2013

Hiroshi Nagase
President
### Performance Chemicals Department

<table>
<thead>
<tr>
<th>Description of Businesses and Departments</th>
</tr>
</thead>
<tbody>
<tr>
<td>The Electronic Chemicals Department, which comprises eight manufacturing companies, in Japan and overseas, manufactures and sells formulated resin-related products and high-precision manufacturing services developed with advanced technology. The department is expanding with the aim of creating highly profitable businesses that combine innovative technologies and information processing capabilities. Also quick to tackle environmental issues, the department promotes environmental conservation and recycling solutions.</td>
</tr>
</tbody>
</table>

#### Main Products and Services
- Formulated epoxy resins and related products, chemicals for production of semi-conductors
- Functional resins and pigments, functional color pigments, functional dyes
- Chemical management equipment for liquid crystal preprocessing and bump molding services through nonelectrolytic plating

#### Customer Industry
- Optical equipment industry
- Display device manufacturing industry
- Audio/visual equipment industry
- Battery/photovoltaic industries
- Electronics materials industries
- Telecommunications equipment industry

#### Description of Businesses and Departments
- Formulated resin products, inorganic materials, and functional color pigments are provided to electronic device manufacturing, display-related, and audio/visual equipment manufacturing companies. The department also offers consultation services.
Major Market Trends

The difficult business environment continued throughout the fiscal year ended March 2013. Exports struggled due to the high yen valuation, the Japanese government ended its eco-car subsidy program, and Japan-China political friction ...urry of pre-enforcement demand. We believe these factors should combine to shift the economy toward a gradual recovery.

The Nagase Group is involved in a wide array of businesses. One of our priorities is the electronics industry, where we ...raw materials for industrial oil solutions and plating chemicals, as well as opportunities to introduce new materials.

NAGASE & CO., LTD.
Annual Report 2013

20

The new energy fields are gaining more attention with each passing day. Here, the Company plans to expand our microorganism pharmaceuticals business in the biogas field, ...addition, sales of NOx gas removal devices in the environmental field have also increased.

Fiscal 2012 Strategies and Results
During fiscal 2012, the Company focused on (1) building strength in our customer base, (2) expanding our overseas business, (3) developing our bio-related business, and (4) improving our filters business. We are expanding customer service activities to improve customer satisfaction throughout the Group. Our focus here is to respond accurately to customer needs and offer better service as an integrated entity. Overseas, we launched a new company to manufacture filters for creating medicines in China where we have started contract manufacturing services. In our upstream business, we set up and started production at a second company in Mexico to make methyl methacrylate polymers for car seats in our filter business; we built a distribution base and began local cleansing services in Taiwan, following our efforts in this field in Korea. In the meantime, we have seen the structural changes occurring in the pharmaceutical industry. In response, we have integrated the existing technological resources inside the Group (both domestic and international) in pursuit of bio-based chemicals development as our answer to the environmental technology curve of the future.

As a result, profits for fiscal 2012 underperformed the prior year. Despite revenue growth for basic chemicals in Southeast Asia and additives for Middle East, increased anti-Japanese sentiment in China and financial stagnation in the EU combined to drive performance lower for the year.

Change-S2014 and Fiscal 2013 Strategies
Fiscal 2013 represents the second year of our Change-S2014 business plan. This plan also calls for us to strengthen our customer base to improve levels of customer satisfaction. We are making a vigorous push to take advantage of our Group value chain to allow us to anticipate future customer needs. We also continue to take measures to strengthen our overseas, bio-related, and filter businesses.

Meanwhile, we are looking to achieve new medium- and long-term business opportunities as we identify major environmental changes due to the shale gas revolution and changes in the chemical industry. Executing these initiatives, we believe we can further strengthen the Nagase brand in the chemical industry, as well as create new value globally.

Performance by Segment

Performance by Segment

Our operating words in the Functional Materials Segment are safe, stable, and unique. Developing materials and applications for this business meeting these standards is our primary focus. We offer high-function materials based on functional business and Group segments across the bio, environment/energy, and electronics fields.

Segment Overview (Functions)

Segment Overview (Functions)

- A business model working closely with customers, offering high levels of satisfaction, tremendous sales capabilities, and the ability to collect and share technological information globally among customers and manufacturers
- Nagase ChemteX Corp., a Nagase manufacturing subsidiary
- Global procurement capacity
- A foundation and strong presence in the chemical industry
- Enhanced management systems for chemicals-related regulations and security trade

Segment Strategies (Businesses)

Segment Strategies (Businesses)

- Primary Businesses
  1. Strategic customer business
  2. Overseas business
  3. Nagase ChemteX business
  4. Filter business
  5. Environmentally-friendly business
  6. Inorganic materials business

- Functional Materials Segment
  - A business model working closely with customers, offering high levels of satisfaction, tremendous sales capabilities, and the ability to collect and share technological information globally among customers and manufacturers
  - Nagase ChemteX Corp., a Nagase manufacturing subsidiary
  - Global procurement capacity
  - A foundation and strong presence in the chemical industry
  - Enhanced management systems for chemicals-related regulations and security trade

Fiscal 2013 represents the second year of our Change-S2014 business plan. This plan also calls for us to strengthen our customer base to improve levels of customer satisfaction. We are making a vigorous push to take advantage of our Group value chain to allow us to anticipate future customer needs. We also continue to take measures to strengthen our overseas, bio-related, and filter businesses.

As Nagase’s parent division, we have accepted the challenge of creating new value to respond to the needs of the times, contributing to the value chain in order to offer complete peace of mind to all our customers.

Representative Director and Managing
Executive Officer
Toshiro Yamaguchi

GM, Speciality Chemicals Department
Gen Hirao

Primary Businesses

1. Strategic customer business
2. Overseas business
3. Nagase ChemteX business
4. Filter business
5. Environmentally-friendly business
6. Inorganic materials business
This business segment contributes to society through the growth of the Nagase Group, as we pursue a global business model that links materials with application development, expanding our expertise in plastics, dyes, and processing technologies.

**Fiscal 2012 Strategies and Results**

As a result of the preceding, earnings for fiscal 2012 reflected lower net sales and higher profits. This result was mainly due to our execution of strategic initiatives that strengthen our technical capabilities, including the strengthening of our internal product capacity, information selection capabilities, and customer relationships to create closer relationships of trust with our business partners.

**Change-2014 and Fiscal 2013 Strategies**

As a result of the preceding, we experienced lower net sales and profits in this department.

As a result of the preceding, we expect to see growth in overseas markets. Here, we have identified two major priorities, namely, the Chinese market, which we expect to continue to grow significantly, and the Asian, North American, and European markets, which are fast together by Japan. The Company intends to engage in mergers and acquisitions and joint ventures, as well as improving our quality management functions and production capacity, with the goal of being recognized as a main player in the global chemical industry.
We offer electronics industry worldwide solutions through a leading business model that predicts and understands technological and service needs in the market, utilizing the Nagase Group and partner resources. We believe this business model will lead to sustained growth in our segment.

**Electronic Chemicals Department**

As a result of the circumstances, we experienced lower revenues and higher profits for fiscal 2012. Change-S2014 and Fiscal 2013 Strategies

During fiscal 2012, we saw an increase in orders for the Company’s newly developed magnetic powder resins in our formulated epoxy business. However, orders fell for thermal conductive sheets for power devices and sheets for surface access-ible (SMD) devices.

In contrast, the Company saw wide gains in sales of formulated epoxy resin manufactured by Company subsidiary Enlarged Materials Systems Inc. (EMS) for use in the tablet PC market. Increased production of tablet POG and incoming demand for large-format TV panels led to significant growth in the Company’s chemically business under the LED business. Meanwhile, sales continue to be slow in Japan for bump molding services through non-electrolytic metal plating. However, orders increased for both laser soldering equipment for hand drive uses (Subsidiary Pac Tech-Packaging Technologies GmbH, Germany) and bumping services in the United States.

**Electronic Materials Department**

As a result of making significant improvements to our employee structure and logistics functions, we experienced an increase in inquiries and product transactions, which contributed to higher profits for our business targeting major U.S. smartphone and tablet PC manufacturers.

**Fiscal 2012 Strategies and Results**

During fiscal 2012, we saw an increase in orders for the Company’s newly developed magnetic powder resins in our formulated epoxy business. However, orders fell for thermal conductive sheets for power devices and sheets for surface access-ible (SMD) devices.

In contrast, the Company saw wide gains in sales of formulated epoxy resin manufactured by Company subsidiary Enlarged Materials Systems Inc. (EMS) for use in the tablet PC market. Increased production of tablet POG and incoming demand for large-format TV panels led to significant growth in the Company’s chemically business under the LED business. Meanwhile, sales continue to be slow in Japan for bump molding services through non-electrolytic metal plating. However, orders increased for both laser soldering equipment for hand drive uses (Subsidiary Pac Tech-Packaging Technologies GmbH, Germany) and bumping services in the United States.

As a result of the circumstances, we experienced lower revenues and higher profits for fiscal 2012. Change-S2014 and Fiscal 2013 Strategies

During fiscal 2012, we saw an increase in orders for the Company’s newly developed magnetic powder resins in our formulated epoxy business. However, orders fell for thermal conductive sheets for power devices and sheets for surface access-ible (SMD) devices.

In contrast, the Company saw wide gains in sales of formulated epoxy resin manufactured by Company subsidiary Enlarged Materials Systems Inc. (EMS) for use in the tablet PC market. Increased production of tablet POG and incoming demand for large-format TV panels led to significant growth in the Company’s chemically business under the LED business. Meanwhile, sales continue to be slow in Japan for bump molding services through non-electrolytic metal plating. However, orders increased for both laser soldering equipment for hand drive uses (Subsidiary Pac Tech-Packaging Technologies GmbH, Germany) and bumping services in the United States.

As a result of the circumstances, we experienced lower revenues and higher profits for fiscal 2012. Change-S2014 and Fiscal 2013 Strategies

During fiscal 2012, we saw an increase in orders for the Company’s newly developed magnetic powder resins in our formulated epoxy business. However, orders fell for thermal conductive sheets for power devices and sheets for surface access-ible (SMD) devices.

In contrast, the Company saw wide gains in sales of formulated epoxy resin manufactured by Company subsidiary Enlarged Materials Systems Inc. (EMS) for use in the tablet PC market. Increased production of tablet POG and incoming demand for large-format TV panels led to significant growth in the Company’s chemically business under the LED business. Meanwhile, sales continue to be slow in Japan for bump molding services through non-electrolytic metal plating. However, orders increased for both laser soldering equipment for hand drive uses (Subsidiary Pac Tech-Packaging Technologies GmbH, Germany) and bumping services in the United States.

As a result of the circumstances, we experienced lower revenues and higher profits for fiscal 2012. Change-S2014 and Fiscal 2013 Strategies

During fiscal 2012, we saw an increase in orders for the Company’s newly developed magnetic powder resins in our formulated epoxy business. However, orders fell for thermal conductive sheets for power devices and sheets for surface access-ible (SMD) devices.

In contrast, the Company saw wide gains in sales of formulated epoxy resin manufactured by Company subsidiary Enlarged Materials Systems Inc. (EMS) for use in the tablet PC market. Increased production of tablet POG and incoming demand for large-format TV panels led to significant growth in the Company’s chemically business under the LED business. Meanwhile, sales continue to be slow in Japan for bump molding services through non-electrolytic metal plating. However, orders increased for both laser soldering equipment for hand drive uses (Subsidiary Pac Tech-Packaging Technologies GmbH, Germany) and bumping services in the United States.

As a result of the circumstances, we experienced lower revenues and higher profits for fiscal 2012. Change-S2014 and Fiscal 2013 Strategies

During fiscal 2012, we saw an increase in orders for the Company’s newly developed magnetic powder resins in our formulated epoxy business. However, orders fell for thermal conductive sheets for power devices and sheets for surface access-ible (SMD) devices.

In contrast, the Company saw wide gains in sales of formulated epoxy resin manufactured by Company subsidiary Enlarged Materials Systems Inc. (EMS) for use in the tablet PC market. Increased production of tablet POG and incoming demand for large-format TV panels led to significant growth in the Company’s chemically business under the LED business. Meanwhile, sales continue to be slow in Japan for bump molding services through non-electrolytic metal plating. However, orders increased for both laser soldering equipment for hand drive uses (Subsidiary Pac Tech-Packaging Technologies GmbH, Germany) and bumping services in the United States.
Our goal is to capture growing demand in emerging countries, as we contribute to the advancement of new car societies through the expansion of our plastics and other foundation businesses. We are also looking to grow in energy management-related businesses, focusing on the application of our proprietary technologies in the rechargeable battery business.

**Automotive & Energy**

**Fiscal 2012 Strategies and Results**

Fiscal 2012 marked the first year of Change-S2014. During this time, we engaged in initiatives guided by the concept of results and consistency to improve profitability and make greater inroads in our related and car electronics businesses. We also established a new plastic components and joint ventures in Indonesia during the year. In India, we saw our joint venture component manufacturing company begin full operations. Our global initiatives gained momentum, and we improved the coordination among our overseas branches, international joint-ventures, related companies, and affiliates. We also made progress in developing new technologies, new manufacturing methods, and new products in our businesses related to eco-friendly vehicles, working closely with related companies, affiliates, and joint ventures.

Despite negative factors during the second half of fiscal 2012, including challenges in the Chinese market due to anti-Japanese sentiment and lower manufacturing numbers in response to the end of the Japanese government car sales subsidies, new business in Thailand and China, together with a rapid recovery from the flooding in the Thailand market and strong performance in the North American market led to higher revenues and higher profits.

**Change-S2014 and Fiscal 2013 Strategies**

In this department, our task under Change-S2014 is to provide technologies and products necessary for the new environmentally-friendly car society, contributing to global society while at the same time creating a business model supporting the next-generation of products and services in the auto industry through our Automotive & Energy Segment. We plan to integrate our automobile business and environment/energy business. At the same time, the resins business in which we established our reputation in the market has shifted towards using fewer raw materials. Here, we will offer even higher value by transferring metal components to resins, and developing our own lightweight materials and technologies.

In the car electronics field, we are working towards creating a global procurement and supply for battery motor power module components and materials — products in which Japan has particular strengths. In pursuit of this goal, we will be working even more closely with Group operating bases around the world. We also intend to develop functional products that match the needs of the market by coupling stronger cooperative ventures within our own Group and with joint development partners, as well as risky investments and manufacturing joint ventures.

In addition to engaging more actively in China where future growth is anticipated, we will also be more active in Indonesia, India, Mexico, Turkey and other emerging countries.

**Fiscal 2013 Strategies and Results**

During fiscal 2013, the nature of Japan gradually began to emerge from the effects of the March 11 earthquake. The introduction of the wholeuais system for industrial photovoltaic power generation, the Company’s sales of photovoltaic systems, complementing the prior period by a wide margin. However, sales of battery materials for electric vehicles did not perform as we had expected, owing to a significant decline in year-on-year performance among auto manufacturers. As such the Company undertook the fiscal 2012 plan in this area. The National Eco 21 is a greenhouse factor that the Company developed for the purpose of reducing fuel oil usage in R&D facilities and other greenhouse housekeeping facilities. As such, this product successfully results in a 35% reduction in fuel oil usage, with expected significant sales gains for the period. However, the lack of related government subsidies resulted in our performance significantly underperforming in fiscal 2013. Accordingly, the Company has reconsidered its participation in businesses such as those that are affected by government subsidies. As of the end of fiscal 2013, the Company decided to withdraw from this business.

During the March 11 earthquake, power outages and resulting system failures meant that cars parked in coin-operated parking lots could not be retrieved by their owners. In response to customers in this field and similarly affected fields, we began development of compact power systems for emergency use and independent power generation systems incorporating photovoltaics. We began production of compact power generation systems at our subsidiary, CAPTEX Co., Ltd. and the systems are slated to launch in fiscal 2013.

**Energy Business Office**

**Change-S2014 and Fiscal 2013 Strategies**

Un in Change-S2014, the goal of the office is to build an integrated foundation for our businesses and to create synergistic business opportunities working in cooperation with other Group organizations. In the past, our business domains were organized under headings such as Battery Materials, Battery Systems, and Green Energy. Beginning fiscal 2013, we have rationalized these domains under regional headings, such as Teley, Nagoya, and Osaka. By placing these business domains under project managers, we are able to operate more effectively across regions. This represents a step forward from the business unit rebuilding we have engaged in since the start of this office. The objective of this new system is to allow us to work more closely with our customers, as well as to create and offer total business solutions that combine our lithium-ion battery and photovoltaic systems in one.

Under the umbrella of lithium-ion battery and photovoltaic component sales, we plan to adopt a consultative sales model which will allow us to take the initiative in total energy management and business continuity planning, focusing on lithium-ion battery systems and photovoltaic systems as our main business, while establishing a stable foundation for business going forward.
Our philosophy is to contribute to a healthier and richer lifestyle. We have identified our primary markets as the food products/beverages, cosmetics/toiletries, and pharmaceuticals/medical materials fields, with the goal of maximizing business value by effectively utilizing group resources and technologies (saccharide, enzyme, formulation, and compound) in the global market.

Fiscal 2012 Strategies and Results
(Bringing Hayashibara into the Group during Fiscal 2012, we made the decision to significantly change our target business fields. In the past, our focus has been on growing our business mainly in pharmaceuticals/medical materials and enzyme businesses. However, we have decided to focus on functional saccharides, to which we will add food materials and cosmetics raw materials as our growth business lines of choice. In addition, we have composed the construction of a new manufacturing facility for the pharmaceuticals/medical materials business. In order to more thoroughly research and produce an enzyme derived from actinomycetes. Furthermore, we have completed the construction of a new production facility in Kyoto (Fukuchiyama) for Nagase Cereals, allowing us to be closer to the market for in-situ rivers such as rice. While the global economy continues to struggle, we have welcomed Hayashibara to the Group and executed a plan of aggressive advanced investment and business development for the future of the Group. As a result, net sales and operating profit have both enjoyed significant improvements.

Change-S2014 and Fiscal 2013 Strategies
Fiscal 2013 represents the second year of our Change-S2014 business plan. Here in this department, we plan to advance and expand business through integration of trading company and manufacturing functions targeting food products, beverages, cosmetics, toiletries, and pharmaceuticals/medical materials markets. We believe these plans will result in an organization capable of creating more high-value-added businesses.

In the Life & Healthcare Segment, we are committed to information collection, technological advancement, and manufacturing activities that contribute to a richer and healthier lifestyle for our customers. By creating new value in this area, we work together with our customers and other Group companies to contribute to a better society, becoming a corporate group with a more visible and respected presence. In addition, we are advancing in developing new functional materials, culminating the progress in the biotechnology area in anticipation of future society needs.

In the Life & Healthcare Segment, we are committed to information collection, technological advancement, and manufacturing activities that contribute to a richer and healthier lifestyle for our customers. By creating new value in this area, we work together with our customers and other Group companies to contribute to a better society, becoming a corporate group with a more visible and respected presence. In addition, we are advancing in developing new functional materials, culminating the progress in the biotechnology area in anticipation of future society needs.

Fiscal 2012 Strategies and Results
(1) Introducing Nagase Trianne, a beauty routine food that creates true beauty from the inside out using the power of flowers—in purity, luster and brightness. Nagase Trianne is a beauty food focused on gifting inner beauty to those who aspire to a more beautiful life from the inside out. This product features three different floral extracts. The gingko extract offers a wonderful transformation, the cherry blossoms lend a touch of impermanence and the lily extract supports a smooth flow in days to come. This triple approach fully invests to women a healthy inner beauty, supporting a full and healthy glow.

Nagase Trianne
(3) Completion of new facilities utilizing the pharmaceutical manufacturing expertise of Nagase Chemicals.

Change-S2014 and Fiscal 2013 Strategies
To establish sustainable growth in the door-to-door sales business for fiscal 2013, the department will pursue a six-point plan. (1) Improving Nagase brand recognition in the markets through advertising and public relations activities. (2) Promoting research and development of new products targeting existing product fields. (3) Developing new products targeting new market fields. (4) Developing new business targets. (5) Establishing new business targets. (6) Establishing new business targets.
Regional Overview

Greater China

The Nagase Group has more than 40 locations throughout Greater China (Mainland China, Hong Kong, Taiwan), including sales companies, manufacturing companies, branches, and offices. We forecast fiscal 2013 net sales for the region at approximately ¥190 billion (100% vs. prior year). Here, we are engaged in business activities tied closely with customers and markets, while the same time creating a business model that maximizes the comprehensive power of the Nagase Group.

Fiscal 2012 Strategies and Results

Sales in inventory adjustments among domestic industries and a disappointing in the overall Chinese economy due to lower exports led to a temporary yet significant decline in sales of products for the automobile industry located in Guangzhou and Tianjin Districts during the second half of fiscal 2012. However, the Group experienced growing sales of new products for smartphones and tablets in the electronics market, resulting in overall net sales of ¥175.96 billion, representing a 1.3% year-on-year decrease.

The Group worked to expand sales of Hayashibara products for the food, cosmetic, and other life & health industries. We selected employees from our local staff to create a special cross-regional Hayashibara Team sales group, collecting information on market needs and sources of demand, expanding sales throughout the China, and developing new applications for our products.

ASEAN and the Middle East

Traditionally, the ASEAN region has been known for cheap labor and manufacturing, but with the growth of economies and per-capita GDP, these regions are gaining more attention as a consumer market. Our goal is to create a new business model that maximizes the comprehensive power of the Nagase Group.

Change-S2014 and Fiscal 2013 Strategies

The goal for the remaining two years under Change-S2014 for this segment is to grow our resin-related business, while at the same time accelerating the pace of growth in other fields (electronics, chemicals, life sciences) as we balance our businesses and the geographical regions in which we operate. During fiscal 2013, we intend to improve coordination between Japan and China in our core functional and manufacturing businesses, continuing to add suppliers and strengthen our engagement with GM manufacturers to drive growth in the region. Meanwhile, we will be working on new development to (1) grow our packaging materials business, (2) expand our automotive business in Thailand and Saudi Arabia, (3) continue with important development projects in our electronics business in Malaysia and Singapore, and (4) improve the sales processes at Hayashibara. The aim, however, is to strengthen our presence in the growing VIP countries (Asean, Indonesia, Philippines) and accelerate our regional expansion in Bangladesh and the three countries along the Mekong Delta (Myanmar, Cambodia, Laos), aiming for sustainable growth in these areas. In terms of management issues, we intend to continue our programs to strengthen regional management functions for rapid business growth and more mature risk management.

Change-S2014 and Fiscal 2013 Strategies

While the economic future of Japan and other advanced nations remains unclear, we expect the Asian market, particularly ASEAN, to continue its strong growth. Along with the acceleration of China’s economic growth in fiscal 2012, we will promote our Greater China (including mainland China, Hong Kong, Taiwan) business by raising the level of the business as a whole and taking steps for transformation. Our mission is to create our own value and expand through regionally focused business. Our goal is to create conditions fostering intercompany and international synergies for the increasingly active Southern, Northern, Eastern, and Western regions. Taiwan and for Greater China as a whole. With an eye toward continued high growth rates in the Chinese market, we have identified the electronics and automotive, electronics, airlines, and life & health services businesses as top priorities. We will invest in management resources in these promising areas, while at the same time optimizing balance across our five business segments: functional materials, advanced materials & processing, automotive & energy, electronics, and life & health services.

Our fundamental businesses are electronics, processing materials, and automobiles. In these fields, we intend to build out our product offerings through global-scale coordination, targeting Japanese companies, local Chinese companies, and other foreign companies investing in China to drive sales. In our functional materials business, we will continue to open new markets for Chinese raw materials where we enjoy high-cost competitiveness, making use of our Group sales network to extend our presence throughout Southeast Asia.

Our Hayashibara Team, launched in 2012, will take the lead in strengthening our specialists, working closely with the Hayashibara home office to build our life & health businesses. At the same time, we will expand our marketing efforts, select our sales network, and further catalyze new application development. In addition, we plan to grow our business targeting the UL, PV, and LED markets in the electronics environment.

While we expand our marketing and sales functions, we will also strengthen our manufacturing and development functions in China, advancing our ability to support product expansion and sources of demand that match the Chinese market needs. This spring, our joint venture in Chengdu with Light Chemical Co., Ltd. will begin contract manufacturing operations for fine chemicals related product projects, while the Nagase Electronics Technology Xiamen plant will enter full operations during the year. The Wu R&D Center (mainly epoxy resin) is scheduled to begin work this fiscal year.

Nagase Business Management and Planning (Shanghai), Co., Ltd. will be the central player in advancing our operations and management in terms of employee strategy, strategic governance, and IT infrastructure adoption, maintenance, and operations, leading to stronger regional management and support functions, which will support our growing business in China.

Change-S2014 and Fiscal 2013 Strategies

Under the guidance of Change-S2014, we will promote our Greater China (including mainland China, Hong Kong, Taiwan) business by raising the level of the business as a whole and taking steps for transformation. Our mission is to create our own value and expand through regionally focused business. Our goal is to create conditions fostering intercompany and international synergies for the increasingly active Southern, Northern, Eastern, and Western regions. Taiwan and for Greater China as a whole. With an eye toward continued high growth rates in the Chinese market, we have identified the electronics and automotive, electronics, airlines, and life & health services businesses as top priorities. We will invest in management resources in these promising areas, while at the same time optimizing balance across our five business segments: functional materials, advanced materials & processing, automotive & energy, electronics, and life & health services.

Our fundamental businesses are electronics, processing materials, and automobiles. In these fields, we intend to build out our product offerings through global-scale coordination, targeting Japanese companies, local Chinese companies, and other foreign companies investing in China to drive sales. In our functional materials business, we will continue to open new markets for Chinese raw materials where we enjoy high-cost competitiveness, making use of our Group sales network to extend our presence throughout Southeast Asia.

Our Hayashibara Team, launched in 2012, will take the lead in strengthening our specialists, working closely with the Hayashibara home office to build our life & health businesses. At the same time, we will expand our marketing efforts, select our sales network, and further catalyze new application development. In addition, we plan to grow our business targeting the UL, PV, and LED markets in the electronics environment.

While we expand our marketing and sales functions, we will also strengthen our manufacturing and development functions in China, advancing our ability to support product expansion and sources of demand that match the Chinese market needs. This spring, our joint venture in Chengdu with Light Chemical Co., Ltd. will begin contract manufacturing operations for fine chemicals related product projects, while the Nagase Electronics Technology Xiamen plant will enter full operations during the year. The Wu R&D Center (mainly epoxy resin) is scheduled to begin work this fiscal year.

Nagase Business Management and Planning (Shanghai), Co., Ltd. will be the central player in advancing our operations and management in terms of employee strategy, strategic governance, and IT infrastructure adoption, maintenance, and operations, leading to stronger regional management and support functions, which will support our growing business in China.

Change-S2014 and Fiscal 2013 Strategies

Under the guidance of Change-S2014, we will promote our Greater China (including mainland China, Hong Kong, Taiwan) business by raising the level of the business as a whole and taking steps for transformation. Our mission is to create our own value and expand through regionally focused business. Our goal is to create conditions fostering intercompany and international synergies for the increasingly active Southern, Northern, Eastern, and Western regions. Taiwan and for Greater China as a whole. With an eye toward continued high growth rates in the Chinese market, we have identified the electronics and automotive, electronics, airlines, and life & health services businesses as top priorities. We will invest in management resources in these promising areas, while at the same time optimizing balance across our five business segments: functional materials, advanced materials & processing, automotive & energy, electronics, and life & health services.

Our fundamental businesses are electronics, processing materials, and automobiles. In these fields, we intend to build out our product offerings through global-scale coordination, targeting Japanese companies, local Chinese companies, and other foreign companies investing in China to drive sales. In our functional materials business, we will continue to open new markets for Chinese raw materials where we enjoy high-cost competitiveness, making use of our Group sales network to extend our presence throughout Southeast Asia.

Our Hayashibara Team, launched in 2012, will take the lead in strengthening our specialists, working closely with the Hayashibara home office to build our life & health businesses. At the same time, we will expand our marketing efforts, select our sales network, and further catalyze new application development. In addition, we plan to grow our business targeting the UL, PV, and LED markets in the electronics environment.

While we expand our marketing and sales functions, we will also strengthen our manufacturing and development functions in China, advancing our ability to support product expansion and sources of demand that match the Chinese market needs. This spring, our joint venture in Chengdu with Light Chemical Co., Ltd. will begin contract manufacturing operations for fine chemicals related product projects, while the Nagase Electronics Technology Xiamen plant will enter full operations during the year. The Wu R&D Center (mainly epoxy resin) is scheduled to begin work this fiscal year.

Nagase Business Management and Planning (Shanghai), Co., Ltd. will be the central player in advancing our operations and management in terms of employee strategy, strategic governance, and IT infrastructure adoption, maintenance, and operations, leading to stronger regional management and support functions, which will support our growing business in China.

Change-S2014 and Fiscal 2013 Strategies

Under the guidance of Change-S2014, we will promote our Greater China (including mainland China, Hong Kong, Taiwan) business by raising the level of the business as a whole and taking steps for transformation. Our mission is to create our own value and expand through regionally focused business. Our goal is to create conditions fostering intercompany and international synergies for the increasingly active Southern, Northern, Eastern, and Western regions. Taiwan and for Greater China as a whole. With an eye toward continued high growth rates in the Chinese market, we have identified the electronics and automotive, electronics, airlines, and life & health services businesses as top priorities. We will invest in management resources in these promising areas, while at the same time optimizing balance across our five business segments: functional materials, advanced materials & processing, automotive & energy, electronics, and life & health services.

Our fundamental businesses are electronics, processing materials, and automobiles. In these fields, we intend to build out our product offerings through global-scale coordination, targeting Japanese companies, local Chinese companies, and other foreign companies investing in China to drive sales. In our functional materials business, we will continue to open new markets for Chinese raw materials where we enjoy high-cost competitiveness, making use of our Group sales network to extend our presence throughout Southeast Asia.

Our Hayashibara Team, launched in 2012, will take the lead in strengthening our specialists, working closely with the Hayashibara home office to build our life & health businesses. At the same time, we will expand our marketing efforts, select our sales network, and further catalyze new application development. In addition, we plan to grow our business targeting the UL, PV, and LED markets in the electronics environment.

While we expand our marketing and sales functions, we will also strengthen our manufacturing and development functions in China, advancing our ability to support product expansion and sources of demand that match the Chinese market needs. This spring, our joint venture in Chengdu with Light Chemical Co., Ltd. will begin contract manufacturing operations for fine chemicals related product projects, while the Nagase Electronics Technology Xiamen plant will enter full operations during the year. The Wu R&D Center (mainly epoxy resin) is scheduled to begin work this fiscal year.

Nagase Business Management and Planning (Shanghai), Co., Ltd. will be the central player in advancing our operations and management in terms of employee strategy, strategic governance, and IT infrastructure adoption, maintenance, and operations, leading to stronger regional management and support functions, which will support our growing business in China.
Nagase ChemteX Corporation occupies the central role in Group manufacturing. Leveraging our long-accumulated, proprietary technologies of synthesis, compounding, biotechnology and evaluation—this company is a chemicals manufacturer offering a unique line of products posting high market share in niche categories. By creating deeper expertise and integrating these core technologies, we are able to offer highly technical services supporting new development and small-run production capabilities to meet the needs of our users. As we improve our various foundational technologies, adding high functionality and differentiation in various niche markets, we will build on the foundation of trust with Nagase Group customers, developing high-function, high-value-added products and services for our end users and biotechnology, environment, energy, and electronics applications. In addition, this company plays a lead role in safety, environmental compliance, quality assurance, and regulatory compliance for Group manufacturing and processing.

Research and Development System
Nagase ChemteX’s R&D structure, which employs a total of 140 staff members, comprises product development teams within divisions as well as an R&D Division working companywide. In the electronics field, we are active in developing conductive, transparent, nano-ink, battery and environmentally-friendly materials. With respect to development of organic and inorganic hybrid polymers of various types of clear materials in particular, we have made progress in developing high-function coating and lens applications, successfully expanding the scope of uses in this product line. In the life sciences field, we promoted the development of pharmaceutical intermediates and new enzymes in collaboration with the Nagase R&D Center. One of our strengths is our ability to select periods for development based on our understanding of Group-wide needs, creating synergies between R&D and trading company functions.

Globally Expanding Nagase Group
Nagase ChemteX Corp. occupies the central role in Group manufacturing. Here, we completed a new production line for microelectro-mechanical-related products, beginning full production. The Fukuchiyama Plant, which produces enzymes, fermentation products, and other life sciences-related products, completed construction for a new enzyme production plant, starting manufacturing work on enzymes for export overseas. In addition, every plant has put in energy-conserving activities. Both the Harima and Fukuchiyama Plants have made progress in electrical power usage reductions in response to summer power shortages. The Harima Plant received OHSAS18001 certifi cation, reafﬁ rming its commitment to creating a safe and secure work environment.

Overseas, at Nagase ChemteX (Wuxi) Corp., in addition to our manufacturing facility for formulated epoxy resin products, we have started preparation to open an R&D center to expand research and development functions.

Net Sales and Net Operating Profits

Fiscal 2012 Operations

Electronics Business
In this business, we perform a product development and production business based on advanced formulated epoxy technologies. In the electronics business, we saw growth in organic EL applications, as well as new applications of high-function epoxy resins for smartphones. However, sales of liquid sealants for semiconductor and power IC applications underperformed for the year. With the second half recovery in large-format panels in the liquid crystal-related business, we were able to deliver results in line with plan. In our environment and energy business, we began mass production of adhesives for HEV vehicles; however, the market for solar cells and wind power generation applications remains weak. Sales of coating materials at Engineered Materials Systems Inc. related to the Group led to strong results, yielding signifi cant gains in coating materials, and we began producing products for the U.S. market.

Performance Chemicals Business
In our Performance Chemicals Business, we were able to expand our offerings of functional materials based on unique organic synthesis and polymer synthesis technologies. With respect to specialty biomolecules, we were able to improve our inspection technologies for the purposes of expanding our already successful life care business. We introduced this technology in the Chinese and Indian markets, where we expect to see significant growth, finding gains in adoption. We have also made progress in developing new epoxy materials that meet needs for transparency, light resistance, and heat resistance. In our special acrylic rubber business, we made progress in pioneering new applications for target markets in Korea, Taiwan, and China, as well as Japan, beginning sales during the period. We actively pursued developing in highly constructive type of transparent conductive polymer Dantron, working new and well-received applications for electronics materials in uses other than our current mainstream anti-static display-related products.

Research and Development System
Nagase ChemteX’s R&D structure, which employs a total of 140 staff members, comprises product development teams within divisions as well as an R&D Division working companywide. In the electronics field, we are active in developing conductive, transparent, nano-ink, battery and environmentally-friendly materials. With respect to development of organic and inorganic hybrid polymers of various types of clear materials in particular, we have made progress in developing high-function coating and lens applications, successfully expanding the scope of uses in this product line. In the life sciences field, we promoted the development of pharmaceutical intermediates and new enzymes in collaboration with the Nagase R&D Center. One of our strengths is our ability to select periods for development based on our understanding of Group-wide needs, creating synergies between R&D and trading company functions.

Nagase ChemteX’s R&D structure, which employs a total of 140 staff members, comprises product development teams within divisions as well as an R&D Division working companywide. In the electronics field, we are active in developing conductive, transparent, nano-ink, battery and environmentally-friendly materials. With respect to development of organic and inorganic hybrid polymers of various types of clear materials in particular, we have made progress in developing high-function coating and lens applications, successfully expanding the scope of uses in this product line. In the life sciences field, we promoted the development of pharmaceutical intermediates and new enzymes in collaboration with the Nagase R&D Center. One of our strengths is our ability to select periods for development based on our understanding of Group-wide needs, creating synergies between R&D and trading company functions.

Bio/Fine Chemicals Business
In our enzymes business, we have focused on developing applications of our own products. We have been proactive in developing applications of our own products. We have been proactive in developing applications of our own products. We have been proactive in developing applications of our own products. We have been proactive in developing applications of our own products. We have been proactive in developing applications of our own products. We have been proactive in developing applications of our own products. We have been proactive in developing applications of our own products.

Change-S2014 and Fiscal 2013 Strategies
Following the basic policies outlined in the Change-S2014 plan, we will make further improvements in our foundational management practices. In research and development projects, we intend to create new business and new products based on our unique development capabilities built on numerous elemental technologies in order to meet the diverse range of needs in the markets. At the same time, we will focus on research and future growth areas, leveraging domestic and international networks of the Nagase Group and the wealth of information available, aiming to establish our core businesses, elemental technologies, and core materials over the medium and long term. Further, we intend to improve productivity and strengthening our production foundation as a manufacturer, spanning overall safety, operational production, quality assurance, and playing a central role in the R&D and manufacturing functions of the Nagase Group, looking to improve the quality of our technology management.

Fiscal 2012 Results
Net sales for the fiscal year ended March 2013 amounted to ¥26.23 billion (2.7% year-on-year decrease), while operating profit was level with the prior year at ¥2.74 billion (0.3% year-on-year decrease). While sales of our formulated epoxy resin products were strong in the heavy electrical, light electrical, and mobile phone sectors, declining sales prices and sluggish sales of high-value-added electronic materials products pulled earnings lower.

Net sales/Operating profit

<table>
<thead>
<tr>
<th></th>
<th>In billion yen</th>
<th>Operating profit (¥ billion)</th>
</tr>
</thead>
<tbody>
<tr>
<td>September 2012</td>
<td>308</td>
<td>50</td>
</tr>
<tr>
<td>October 2012</td>
<td>350</td>
<td>38</td>
</tr>
<tr>
<td>November 2012</td>
<td>269</td>
<td>27</td>
</tr>
<tr>
<td>December 2012</td>
<td>261</td>
<td>27</td>
</tr>
<tr>
<td>September 2013</td>
<td>250</td>
<td>30</td>
</tr>
<tr>
<td>October 2013</td>
<td>322</td>
<td>34</td>
</tr>
<tr>
<td>November 2013</td>
<td>364</td>
<td>40</td>
</tr>
<tr>
<td>December 2013</td>
<td>277</td>
<td>20</td>
</tr>
</tbody>
</table>

Change-S2014 and Fiscal 2013 Strategies
Following the basic policies outlined in the Change-S2014 plan, we will make further improvements in our foundational management practices. In research and development projects, we intend to create new business and new products based on our unique development capabilities built on numerous elemental technologies in order to meet the diverse range of needs in the markets. At the same time, we will focus on research and future growth areas, leveraging domestic and international networks of the Nagase Group and the wealth of information available, aiming to establish our core businesses, elemental technologies, and core materials over the medium and long term. Further, we intend to improve productivity and strengthening our production foundation as a manufacturer, spanning overall safety, operational production, quality assurance, and playing a central role in the R&D and manufacturing functions of the Nagase Group, looking to improve the quality of our technology management.
We can largely categorize our business into functional saccharides and functional dyes. We manufacture and sell functional saccharides, including TREHA™ and Glucosyl Hesperidin (used as food materials), AZAD™ (stabilized vitamin C used in cosmetics materials), and Maltose for infusion (used in pharmaceuticals). Our functional dyes business consists of a large dye library based on organic synthetic technologies. We rely on this library of dyes to produce products to the industrial fields (photography, printing plate sensitizer, etc.) and the life sciences field (the drug LUMIN™A and in vitro diagnostics).

Moving forward, we will shift a part of our sales functions to NAGASE & CO. to allow the Nagase Group to leverage Group-wide resources on promoting global expansion. At the same time, we will focus more on management resources on our own research and development to speed development of new products, while promoting global standards in food safety and quality management through greater improvements in our production functions, showing that our commitment extends beyond just ensuring a stable supply of product. During fiscal 2012, we became certified under the FSSC22000 global food safety standards at the plant manufacturing our TREHA™ functional saccharide.

Main Market Trends

The functional saccharide factory that produces TREHA™ received FSSC22000 certification (food safety) during fiscal 2012. In addition, we are working towards kosher and halal certification overseas to increase opportunities for sales. Looking to meet higher levels of quality, we plan to acquire E3001 certification during fiscal 2013, and we are presently engaged in corporate wide initiatives, including programs related to the functional dyes business.

While we are updating equipment according to schedule in all of our manufacturing plants, equipment in the Daoyasa Plant 1 has particularly aged. Accordingly, we are planning to complete construction on a new plant to take over the old plant’s operations in March 2015. This new plant will not only ensure the stable supply of existing products, but it will also function as a pilot plant for new product development. The plant features an efficient and energy-saving design that offers flexibility in manufacturing a number of different types of products.

Research and Development Structure

Microorganism screening and other new technologies derived from years of expertise have put us on the course to developing new saccharides that utilize new enzymes that we have researched. Our goal is to use these saccharides in food, cosmetics, medical, and industrial applications as a result of our pursuit of unique technologies and materials, as well as the Nagase Group marketing capabilities in response to market needs. Our efforts focus on research and development that we can quickly and efficiently leverage to launch new products in the market. We continue to make strategic use of these intellectual assets that result from our research.

Our latest research has resulted in Highly Branched Glucan, which can be expected to alleviate the effects of metabolic syndrome, a disease resulting from the modern lifestyle. Glucosyl Adenosine is another discovery that we believe will have anti-aging effects. We announced both of these breakthroughs at the Japan Society for Bioscience, Biotechnology, and Agrochemistry in March 2013.

Fiscal 2012 Operations

Functional Saccharides Business

Our functional saccharides business makes use of the functions of our Tokyo Laboratory, L’Plaza where we develop recipes that maximize the functionality of our saccharides products. Our goal is to expand the applications of the saccharides beyond confectionary to baked goods, beverages, and other stable foods, as well as prepared foods, beverages, and processed foods. We remedied and reopened our Tokyo Laboratory, L’Plaza in the Nagase Shinjuku Tokyo Honsha East Building for the purpose of incorporating greater functions into these products. Thanks in part to the launch of new foodstuffs, we saw significant year-on-year growth in sales.

Functional Dyes Business

In our functional dyes business, we have successfully expanded applications of the dyes we manufacture beyond photography and printing plate commercial sectors into test agents and other life science fields. As we work on dye business projects in cooperation with other Nagase Group affiliates, we are finding new ways to meet client needs through the development of new raw materials and potential applications. We continue to see a steady increase in customers of our LUMIN™A-dyes formulation who faithfully use the product as a drug.
The mission of the Nagase R&D Center is to develop a biotechnology platform that backs up the Nagase Group’s future business and to utilize biotechnology for product and service development, guided by concepts of uniqueness, self-direction, and invention. We consider the R&D Center to be the main group responsible for driving the creation of high-value-added businesses leading to further growth and originality in combining manufacturing, processing, research and development functions, marketing, and trading functions under the umbrella of Nagase, a technical information company. Through close coordination with business divisions and front-line sales, the R&D Center will continue to provide customer and market solutions from a technological perspective. The R&D Center will work closely with our customers, materials makers and processors on a number of different solutions and requests. From this we’ve received visitors from almost 100 different firms, and turned a total of more than 50 new solutions into practical operations.

Throughout fiscal 2012, we worked closely with our customers, materials makers and processors on a number of different solutions and requests. From this we’ve received visitors from almost 100 different firms, and turned a total of more than 50 new solutions into practical operations. We received visitors from almost 100 different firms, and turned a total of more than 50 new solutions into practical operations. We received visitors from almost 100 different firms, and turned a total of more than 50 new solutions into practical operations.

The Nagase Application Workshop (NAW) is solidifying its reputation as an outlet for unique, original Nagase functions, fully providing continuing technological support for a development partner of plastic as a plastic and coating technology development center. Having identified industries and technologies on which to focus, Nagase will take the lead in implementing activities that create seeds of new high-value-added businesses. We have set our sights on the automotive and DI fields as target industries, working in cooperation with other departments to refine new business approaches that only one firm like Nagase could produce. During fiscal 2013, we will concentrate on surface treatment technologies, working mainly to commercialize composite technologies such as plastics, coatings, and printing. Our goal is to answer new elementary technologies more quickly than any other company in the world, working every day to offer the right decisions and NAW that we can propose to customers.

Achievements in Fiscal 2012

(1) Genetic tools to increase microorganism’s physical production capabilities
(2) Creation of microorganisms optimized for target protein production
(3) Conclusive proof of special biochemical production concepts via recombined microorganisms
(4) Development of new target microorganisms and rapid synthesis of new enzymes (preparing patent application)
(5) Compounds producing biopolymer from dehydrogenase due to freezing and thawing (patent pending)

Technological Results

<table>
<thead>
<tr>
<th>Patent applications</th>
</tr>
</thead>
<tbody>
<tr>
<td>In Japan</td>
</tr>
<tr>
<td>Overseas</td>
</tr>
<tr>
<td>In Japan</td>
</tr>
<tr>
<td>Overseas</td>
</tr>
</tbody>
</table>

* The number of patents in the name of the Nagase R&D Center. Licenses and other intellectual property rights are not included.

Fiscal 2013 Policies

This fiscal is solidifying its reputation as an outlet for unique, original Nagase functions, fully providing continuing technological support for a development partner of plastic as a plastic and coating technology development center. Having identified industries and technologies on which to focus, Nagase will take the lead in implementing activities that create seeds of new high-value-added businesses. We have set our sights on the automotive and DI fields as target industries, working in cooperation with other departments to refine new business approaches that only one firm like Nagase could produce. During fiscal 2013, we will concentrate on surface treatment technologies, working mainly to commercialize composite technologies such as plastics, coatings, and printing. Our goal is to answer new elementary technologies more quickly than any other company in the world, working every day to offer the right decisions and NAW that we can propose to customers.
Management Philosophy

"Maintain Good and Fair Business Practices"

The Nagase Group is a member of world society. As such, it is our duty to maintain good and fair business practices and, through continued growth and development, provide society with the goods and services it needs while improving the welfare of our employees.

"The Nagase Way" Action Principles

1. Always be customer-oriented.
2. Always use the power of the Nagase Group.
3. Always think globally and act locally.
4. Always think systematically and act speedily.
5. Always be system-oriented.
6. Always be action-oriented.
7. Always do business with integrity.
8. Always be transparent in your business dealings.
9. Always respect the rights of other people.
10. Always contribute to the community.

Basic Concept of CSR

The Nagase Group is a member of society. As such, it is our duty to maintain good and fair business practices and, through continued growth and development, provide society with the goods and services we produce. Nagase focuses not only on business growth, but also on CSR-oriented operations with active contributions to society in the areas of environmental protection, responsibilities as a good corporate citizen, and development of scientific technology.

Directors, Audit & Supervisory Board Members and Executive Officers (as of July 1, 2013)

**Directors**

Hidenori Nagase
Representative Director and Managing Executive Officer
Hayashibara Co., Ltd.

Reiji Nagase
Representative Director and Managing Executive Officer
Hayashibara Co., Ltd.

Kenichi Horie
Executive Officer
GM, Electronic Materials Dept.

Ichiro Washiyama
Executive Officer
GM, Beauty Care Products Dept.

Minoru Kamiya
Executive Officer
Finance Div. GM, Accounting Div.

Katsuhisa Yamaguchi
Executive Officer
CEO, Greater China

Mitsukuni Mori
Executive Officer
Human Resources & General Affairs Div.

Ichiro Wakabayashi
Executive Officer
Human Resources & General Affairs Div.

Masaomi Kamada
Executive Officer
Human Resources & General Affairs Div.

Kohei Sato
Executive Officer
Human Resources & General Affairs Div.

Yasuo Nakahara
Executive Officer
GM, Business Administration Div.

Takao Tanabe
Executive Officer
GM, Safety & Environment Div.

**Executive Officers**

Kazuo Mitsuhashi
Managing Executive Officer
GM, Electronic Chemicals Dept.

Hironori Takemura
Managing Executive Officer
Human Resources & General Affairs Div.

Takafumi Hayakawa
Managing Executive Officer
GM, General Management Dept.

**Outside Directors**

Iwao Nakamura
Outside Director

Hideo Hanamoto
Outside Director

Yusuke Mihayashi
Outside Director

**Audit & Supervisory Board Members**

Kosuke Kataoka
Executive Officer
GM, Corporate Planning Office

Kenji Nagafusa
Executive Officer
GM, Marketing Dept.

Katsuhisa Yamaguchi
Executive Officer
GM, Greater China

Yasuo Nishiguchi
External Audit & Supervisory Board Member

Hiroshi Nagase
Representative Director and Managing Executive Officer
Hayashibara Co., Ltd.

Kenichi Matsuki
Representative Director and Managing Executive Officer
Hayashibara Co., Ltd.

Reiji Nagase
Representative Director and Managing Executive Officer
Hayashibara Co., Ltd.

Masahiko Hamaguchi
Executive Officer
Superintendent Public Prosecutor of the Sendai High Public Prosecutors Office

Yasuo Nishiguchi
Executive Officer
Superintendent Public Prosecutor of the Osaka High Public Prosecutors Office

Iwao Nakamura
Executive Officer
Founder, Osage Law Firm

Takanori Yamauchi
Executive Officer
GM, Speciality Chemicals Dept.

Kenji Nagafusa
Executive Officer
GM, Life & Healthcare Dept.

Hiroshi Hanamoto
Executive Officer
GM, Life & Healthcare Products Dept.

Mitsukuni Mori
Executive Officer
Human Resources & General Affairs Div.

Ichiro Wakabayashi
Executive Officer
Human Resources & General Affairs Div.

Masaomi Kamada
Executive Officer
Human Resources & General Affairs Div.

Kohei Sato
Executive Officer
Human Resources & General Affairs Div.

Yasuo Nakahara
Executive Officer
GM, Business Administration Div.

Takao Tanabe
Executive Officer
GM, Safety & Environment Div.

Mitsukuni Mori
Executive Officer
Human Resources & General Affairs Div.

Ichiro Wakabayashi
Executive Officer
Human Resources & General Affairs Div.

Kohei Sato
Executive Officer
Human Resources & General Affairs Div.

Yasuo Nakahara
Executive Officer
GM, Business Administration Div.

Takao Tanabe
Executive Officer
GM, Safety & Environment Div.

Mitsukuni Mori
Executive Officer
Human Resources & General Affairs Div.

Ichiro Wakabayashi
Executive Officer
Human Resources & General Affairs Div.

Kohei Sato
Executive Officer
Human Resources & General Affairs Div.

Yasuo Nakahara
Executive Officer
GM, Business Administration Div.

Takao Tanabe
Executive Officer
GM, Safety & Environment Div.

Mitsukuni Mori
Executive Officer
Human Resources & General Affairs Div.

Ichiro Wakabayashi
Executive Officer
Human Resources & General Affairs Div.

Kohei Sato
Executive Officer
Human Resources & General Affairs Div.

Yasuo Nakahara
Executive Officer
GM, Business Administration Div.

Takao Tanabe
Executive Officer
GM, Safety & Environment Div.

Mitsukuni Mori
Executive Officer
Human Resources & General Affairs Div.

Ichiro Wakabayashi
Executive Officer
Human Resources & General Affairs Div.

Kohei Sato
Executive Officer
Human Resources & General Affairs Div.

Yasuo Nakahara
Executive Officer
GM, Business Administration Div.

Takao Tanabe
Executive Officer
GM, Safety & Environment Div.

Mitsukuni Mori
Executive Officer
Human Resources & General Affairs Div.

Ichiro Wakabayashi
Executive Officer
Human Resources & General Affairs Div.

Kohei Sato
Executive Officer
Human Resources & General Affairs Div.

Yasuo Nakahara
Executive Officer
GM, Business Administration Div.

Takao Tanabe
Executive Officer
GM, Safety & Environment Div.

Mitsukuni Mori
Executive Officer
Human Resources & General Affairs Div.

Ichiro Wakabayashi
Executive Officer
Human Resources & General Affairs Div.

Kohei Sato
Executive Officer
Human Resources & General Affairs Div.

Yasuo Nakahara
Executive Officer
GM, Business Administration Div.

Takao Tanabe
Executive Officer
GM, Safety & Environment Div.

Mitsukuni Mori
Executive Officer
Human Resources & General Affairs Div.

Ichiro Wakabayashi
Executive Officer
Human Resources & General Affairs Div.

Kohei Sato
Executive Officer
Human Resources & General Affairs Div.

Yasuo Nakahara
Executive Officer
GM, Business Administration Div.

Takao Tanabe
Executive Officer
GM, Safety & Environment Div.

Mitsukuni Mori
Executive Officer
Human Resources & General Affairs Div.

Ichiro Wakabayashi
Executive Officer
Human Resources & General Affairs Div.

Kohei Sato
Executive Officer
Human Resources & General Affairs Div.

Yasuo Nakahara
Executive Officer
GM, Business Administration Div.

Takao Tanabe
Executive Officer
GM, Safety & Environment Div.

Mitsukuni Mori
Executive Officer
Human Resources & General Affairs Div.

Ichiro Wakabayashi
Executive Officer
Human Resources & General Affairs Div.

Kohei Sato
Executive Officer
Human Resources & General Affairs Div.

Yasuo Nakahara
Executive Officer
GM, Business Administration Div.

Takao Tanabe
Executive Officer
GM, Safety & Environment Div.

Mitsukuni Mori
Executive Officer
Human Resources & General Affairs Div.

Ichiro Wakabayashi
Executive Officer
Human Resources & General Affairs Div.

Kohei Sato
Executive Officer
Human Resources & General Affairs Div.

Yasuo Nakahara
Executive Officer
GM, Business Administration Div.

Takao Tanabe
Executive Officer
GM, Safety & Environment Div.

Mitsukuni Mori
Executive Officer
Human Resources & General Affairs Div.

Ichiro Wakabayashi
Executive Officer
Human Resources & General Affairs Div.

Kohei Sato
Executive Officer
Human Resources & General Affairs Div.

Yasuo Nakahara
Executive Officer
GM, Business Administration Div.

Takao Tanabe
Executive Officer
GM, Safety & Environment Div.

Mitsukuni Mori
Executive Officer
Human Resources & General Affairs Div.

Ichiro Wakabayashi
Executive Officer
Human Resources & General Affairs Div.

Kohei Sato
Executive Officer
Human Resources & General Affairs Div.

Yasuo Nakahara
Executive Officer
GM, Business Administration Div.

Takao Tanabe
Executive Officer
GM, Safety & Environment Div.

Mitsukuni Mori
Executive Officer
Human Resources & General Affairs Div.

Ichiro Wakabayashi
Executive Officer
Human Resources & General Affairs Div.

Kohei Sato
Executive Officer
Human Resources & General Affairs Div.

Yasuo Nakahara
Executive Officer
GM, Business Administration Div.

Takao Tanabe
Executive Officer
GM, Safety & Environment Div.

Mitsukuni Mori
Executive Officer
Human Resources & General Affairs Div.

Ichiro Wakabayashi
Executive Officer
Human Resources & General Affairs Div.

Kohei Sato
Executive Officer
Human Resources & General Affairs Div.

Yasuo Nakahara
Executive Officer
GM, Business Administration Div.

Takao Tanabe
Executive Officer
GM, Safety & Environment Div.
The Nagase Group is a member of society. As such, it is our duty to maintain good and fair business practices and, through continued growth and development, provide society with the goods and services it needs while improving the welfare of our employees. To implement this philosophy and continue raising corporate value, we believe that quick decision-making and action, as well as active, transparent management, are vital. In addition, with the advancement of globalization, Nagase is aggressively working to strengthen corporate governance as a key management issue.

Corporate Governance

Under a corporate system that adopts an Audit & Supervisory Board, Nagase introduced the executive officer system in June 2001. The Company's current management framework consists of ten directors (including two outside directors), 27 executive officers (of whom concurrently serve as directors), and four audit & supervisory board members (including two external audit & supervisory board members). The Board of Directors is clearly positioned as the body in charge of making decisions on management policies and strategies, and it supervises the execution of operations. Holding a regular monthly meeting, the Board of Directors reviews and formulates measures regarding important decisions and tracks business performance.

In accordance with audit policy and standards for responsible work set at the Audit & Supervisory Board's meetings, corporate auditors attend important meetings, such as Board of Directors' meetings, and conduct audits of the execution of duties of directors and executive officers based on reports obtained from subsidiaries on an as-needed basis. Executive officers determine specific measures for sales-related administrative matters by dividing divisional general managers' meetings and supervisors' meetings and discussing each division's status report in light of the importance of ensuring objective supervision and guidance on its management. Nagase set up an Advisory Board to secure advisors from outside the Company.

Furthermore, Nagase established the following committees to reinforce its corporate governance function.

- Executive Officers

- Corporate Governance

- Executive Officers

- Corporate Governance

- Executive Officers

- Corporate Governance

- Executive Officers

Nagase's Corporate Governance System

Under the executive officer system, Nagase's corporate governance system collaborates with the abovementioned committees to appoint outside directors and members to the Audit & Supervisory Board as well as to reinforce its corporate governance system. Having seconded supervisors and auditing functions that operate from diversified perspectives, including from outside the Company, Nagase believes the current corporate governance system is more rational than ever. We will increase our efforts to further reinforce our corporate governance system to secure stakeholders' trust.

Director Compensation

Director compensation (excluding outside directors and audit & supervisory board members) consists of basic salary and performance incentives (bonuses). The Company calculates compensation based on director compensation rules, continuing an approval by the Board of Directors. Performance incentives (bonus) amounts are determined according to a basic payment amount based on Company earnings for the period in question. The Company considers individual performance based on the General Management System when determining basic salary and director bonuses. The Compensation Committee assesses the validity of compensation standards and systems, reporting to and advising the Board of Directors. This ensures improved objectivity and transparency in the director compensation decision-making process.

Total Director Compensation by Title, Total Compensation by Type, Number of Eligible Directors

<table>
<thead>
<tr>
<th>Title</th>
<th>Total Compensation</th>
<th>Total Compensation by Type</th>
<th>Number of Eligible Directors</th>
</tr>
</thead>
<tbody>
<tr>
<td>Directors (excluding Outside</td>
<td>265</td>
<td>172</td>
<td>90</td>
</tr>
<tr>
<td>Directors)</td>
<td></td>
<td>91</td>
<td></td>
</tr>
<tr>
<td>Audit &amp; Supervisory Board</td>
<td>44</td>
<td>44</td>
<td>2</td>
</tr>
<tr>
<td>Members (excluding External</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Audit &amp; Supervisory Board</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Members)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Outside Officers</td>
<td>42</td>
<td>42</td>
<td>4</td>
</tr>
</tbody>
</table>

Important Matters regarding Employee Bonuses for Employees Also Serving as Directors

<table>
<thead>
<tr>
<th>Total Number of Eligible Directors</th>
<th>Comments</th>
</tr>
</thead>
<tbody>
<tr>
<td>5</td>
<td>45 paid in an amount equivalent to employee bonus</td>
</tr>
</tbody>
</table>

Internal Audit System

The Audit Office is in charge of internal audits, including audits to assess the appropriateness and efficiency of the Company's business activities. The Audit Office is staffed by two external auditors, including certified public accountants, certified internal auditors (CIA), qualified internal auditors (CII) and other individuals who possess specialized knowledge in internal audits. The Audit & Supervisory Board consists of four audit & supervisory board members (including two external audit & supervisory board members) who have a considerable amount of knowledge about finance, accounting, general corporate management, and compliance and governance.

The Company established the Audit Office to ensure audit & supervisory board members' auditing effectiveness, supplying staff upon request to support the audit & supervisory board members' work. The Audit Office and the Audit & Supervisory Board regularly exchange information regarding internal audits and audits of domestic and overseas subsidiaries, while holding meetings twice a year with affiliated companies' auditors. In addition, they perform risk-ranking liaison activities, including receiving regular reports from Ernst & Young ShinNihon LLC, Nagase's independent auditors, regarding accounting matters and associated internal controls, maintaining a presence during auditing audits, and cooperating as needed with audits conducted by affiliated companies, including those located overseas. In addition to discussing individual matters with audit & supervisory board members on a daily basis, independent auditors also hold meetings twice a year with the Audit & Supervisory Board.

Nagase established the Internal Control Committee and the Committee Board Review in its internal control section, and the Audit Office serves as the Company's independent internal auditor. The Audit Office reports results of its internal operational audits to the Internal Control Committee. The Internal Control Committee regularly reports on the status of internal controls to the Audit & Supervisory Board and the Company's external auditor.

Audits by certified public accounts are performed in a fair and unbiased manner by a staff of 35, which includes the following specified limited-liability partners and partner trainees.

Certified Public Accountants

<table>
<thead>
<tr>
<th>Title</th>
<th>Partner with Limited Liability</th>
<th>Partner with Limited Liability</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ernst &amp; Young ShinNihon LLC</td>
<td>Iwao Nakamura</td>
<td>Yasuo Nakamura</td>
</tr>
</tbody>
</table>
| Independent Directors and Independent Audit & Supervisory Board Members

Nagase appointed all of its outside officers, namely, the two outside directors, Messrs. Iwao Nakamura and Yasuo Nakamura, and two external audit & supervisory board members, Messrs. Hideki Yoshimura and Toshihiko Takanaka, and registered them as Nagase's independent directors and independent audit & supervisory board members with the Tokyo Stock Exchange.
IR Activities

1. Initiatives for More Active General Shareholders' Meetings: Facilitating the Exercise of Voting Rights

- **Early delivery of General Shareholders' Meeting Convocation Notices**
  - We sent convocation notices on June 6 announcing our June 28, 2012 97th General Shareholders’ Meeting. We sent this notice earlier than the deadline required by law.

- **Electronic Exercise of Voting Rights**
  - The Company has adopted the exercise of voting rights via Internet and an electronic voting platform.

- **Tabling Votes on the Day of Meeting of Shareholders**
  - The Company tabulates the number of attendance votes on the day of the Meeting of Shareholders, publishing voting results on the same day as the Meeting.

- **Initiatives for Improving Contact with Investors**
  - **Regular Briefings with Institutional Investors and Analysts**
    - The Company holds financial briefing meetings with institutional investors and analysts once every half year. The Company’s president and officers provide details of performance, earnings forecasts, and other management issues.
    - Briefing meeting materials are available in Japanese and English at the Company’s corporate website. The Company also provides video of the briefing meeting proceedings.

  - **Briefing Meetings for Individual Investors**
    - The Company offers briefing meetings for individual investors on an ongoing basis. Business results of operations, and dividends are addressed by the responsible director. Last year, the Company offered a total of three briefing meetings. Briefing meeting materials can be found at the Company’s corporate website.

  - **Corporate Introduction Videos**
    - The Company creates corporate introductory videos for stakeholders to view on the Company’s website.

Facts or information subject to disclosure are reported to the responsible party through the related general manager/department (O&M), according to information provided from a department or subsidiary. The responsible party coordinates with internal departments and reports to the representative director-president of the Company. As necessary, a report is made to the Board of Directors, after which the Finance Division promptly makes a public disclosure of said facts or information.

Information related to directors is handled via department/subdepartment internal memo to the Corporate Planning Office or related department for approval. From there, the information is reported to the Company representative or director-president, and then on to the Board of Directors for a final resolution before the timely disclosure of said information by the Finance Division.

To ensure reliability, information related to financial results (including information from consolidated affiliates) is submitted for review by the Corporate Planning Office or related department for approval. From there, the information is reported to the Company representative or director-president, and then on to the Board of Directors for a final resolution before the timely disclosure of said information by the Finance Division.

Information related to directors is handled via department/subdepartment internal memo to the Corporate Planning Office or related department for approval. From there, the information is reported to the Company representative or director-president, and then on to the Board of Directors for a final resolution before the timely disclosure of said information by the Finance Division.

This system allows the Company to identify and manage information for timely disclosure. The Company works to consistently manage important internal information and prevent insider trading, as guided by Company rules in this area. The Company held a total of nine insider trading prevention seminars during fiscal 2012 as one way of offering regular internal education regarding insider trading prevention.

Information Disclosure

We engage in continuous communications with society through the Nippon Group Compliance Behavior Standards. Timely and disclosure of important information through proper channels. Through the establishment of the Nippon Group Code of Conduct and the timely disclosure via proper channels of information needed by society, we engage in continuing communication with society. In this way, we maintain a fair, transparent dialogue, never allowing corporate activities to deviate from socially accepted norms.

This basic philosophy guides us as we conduct timely, appropriate, and fair disclosure of information through IR activities, public relations programs, and websites for our shareholders and investors to improve management transparency and accountability.

**IR Activities**

1. **Initiatives for More Active General Shareholders’ Meeting:** Facilitating the Exercise of Voting Rights

- We sent convocation notices on June 6 announcing our June 28, 2012 97th General Shareholders’ Meeting. We sent this notice earlier than the deadline required by law.

- **Electronic Exercise of Voting Rights**
  - The Company has adopted the exercise of voting rights via Internet and an electronic voting platform.

- **Tabling Votes on the Day of Meeting of Shareholders**
  - The Company tabulates the number of attendee votes on the day of the Meeting of Shareholders, publishing voting results on the same day as the Meeting.

- **Initiatives for Improving Contact with Investors**
  - **Regular Briefings with Institutional Investors and Analysts**
    - The Company holds financial briefing meetings with institutional investors and analysts once every half year. The Company’s president and officers provide details of performance, earnings forecasts, and other management issues.
    - Briefing meeting materials are available in Japanese and English at the Company’s corporate website. The Company also provides video of the briefing meeting proceedings.

- **Briefing Meetings for Individual Investors**
  - The Company offers briefing meetings for individual investors on an ongoing basis. Business results of operations, and dividends are addressed by the responsible director. Last year, the Company offered a total of three briefing meetings. Briefing meeting materials can be found at the Company’s corporate website.

- **Corporate Introduction Videos**
  - The Company creates corporate introductory videos for stakeholders to view on the Company’s website.

**Timely Disclosure**

The Company has established Basic Compliance Policies that require compliance with laws, regulations and Company rules, as well as disclosing information to stakeholders. We proactively disclose corporate information in a fair manner, striving to maintain management transparency. The Company has set up the following internal systems to support the timely and appropriate disclosure of Company information to investors.

<table>
<thead>
<tr>
<th><strong>Category</strong></th>
<th><strong>Name</strong></th>
<th><strong>Reason for Appointment</strong></th>
<th><strong>Major Actions in Fiscal 2012</strong></th>
</tr>
</thead>
<tbody>
<tr>
<td>Outside Directors</td>
<td>Kenji Nakamura</td>
<td>has served in management positions at Nissan Diesel Co., Ltd. (presently UD Trucks Corporation) and Nissan Motor Co., Ltd. He has a wealth of knowledge and experience in offering expert industry management advice to the company, which he expects will lead to stronger corporate governance.</td>
<td>Attend all 14 board of directors meetings (100% attendance), offering appropriate opinions and advice.</td>
</tr>
<tr>
<td>Outside Directors</td>
<td>Kenji Nakamura</td>
<td>has served in management positions at KYOCERA Corporation. He has a wealth of knowledge and experience in the workings of financial institutions, serving many years in various positions in Japan and overseas. We believe he will be able to call on this wisdom and expertise to properly fulfill his duties as an external audit &amp; supervisory board members.</td>
<td>Offer appropriate opinions based on his expertise as an external audit &amp; supervisory board members.</td>
</tr>
<tr>
<td>Outside Directors</td>
<td>Hideo Yamashita</td>
<td>has a wealth of knowledge and experience in the workings of financial institutions, offering appropriate opinions and advice.</td>
<td>Offer appropriate opinions based on his expertise as an external audit &amp; supervisory board members.</td>
</tr>
<tr>
<td>Outside Directors</td>
<td>Toshio Nishiguchi</td>
<td>has served in management positions at KYOCERA Corporation. He has a wealth of knowledge and experience to call on in offering expert industry management advice to the Company, which we expect will lead to stronger corporate governance.</td>
<td>Attend all 14 board of directors meetings (100% attendance), offering appropriate opinions and advice.</td>
</tr>
<tr>
<td>Outside Directors</td>
<td>Minoru Takano</td>
<td>offered appropriate opinions based on his expertise as an attorney.</td>
<td>Offer appropriate opinions based on his expertise as an attorney.</td>
</tr>
</tbody>
</table>
Risk Management and Compliance

The Nagase Group, being aware that risk management and compliance are bound together within one system, establishes, maintains, improves and promotes across the entire Group structures for compliance and risk management that reflect not only legal compliance but also corporate ethics. This Risk Management and Compliance section aims to introduce specific measures being taken with regard to Product Quality Risks and Risks of Handling Various Chemicals, against the backdrop of known risks as the Nagase Group conducts global business development.

Comprehensive Identification, Understanding and Control of Risks

The Company established the Risk Management & Compliance Committee to put in place a comprehensive structure for risk management as well as to monitor risk management and compliance as an advisory body to the Board of Directors. This Committee determines committee member functions and authorities, creating a structure of clearly defined roles and responsibilities. Under the committee’s leadership, department managers address risks in their particular areas by formulating risks and implementing training. The Company also works through the Risk Management & Compliance Committee to develop systems and departments responsible for additional risks that materialize and strives to lower the risks that could impact the Company’s business.

In addition, the Risk Management & Compliance Committee formulates the basic compliance policy to develop and maintain the Company’s compliance system and uses regular workshops and other initiatives to ensure that corporate activities are strictly in line with the Nagase Group Code of Conduct. Should employees of Nagase or its Group companies become aware of illegal or other compliance issues, they report to the Risk Management & Compliance Committee, which immediately reports to the Audit & Supervisory Board. In addition, the Company has introduced an internal reporting system wherein employees and others can report or discuss issues directly. The Company revised the Nagase Group Code of Conduct in November 2012, distributing the document to all employees throughout the entire domestic and international Nagase organization.

Basic Compliance Policy

As a member of world society, the Nagase Group must maintain good and fair business practices and, through continued growth and development, provide society with the goods and services needed while improving the welfare of its employees. Nagase has developed and carries out the following basic compliance policy. Based on this corporate philosophy, Nagase has adopted and will implement this following Basic Compliance Policy. This policy defines the behavior standards that Nagase and its officers and employees will observe as it carries out its various business activities.

1. Compliance with laws, regulations and internal rules and regulations
   - Corporate activities will be conducted fairly and in good faith, in accordance with laws and rules, and without any deviation from social standards.
   - Business activities will be conducted in accordance with the rules of the international community to ensure the continuing growth and development of Nagase as a global enterprise.

2. Elimination of anti-social elements
   - Anti-social elements that threaten public order and safety will be met with firm and swift action.

3. Protection of goods and services that are useful to society
   - Nagase will contribute to society by supplying goods and services that are useful to society.

4. Respect for the qualities and individuality of employees
   - Nagase will respect the autonomy and creativity of every employee and foster a corporate culture in which those qualities can be applied to corporate activities.
   - Nagase will protect its employees’ health, respect their human rights, treat them fairly and without discrimination, and secure and provide safe and comfortable work environments.

5. Disclosure of information to stakeholders
   - Nagase will strive to ensure transparency by fairly and actively disclosing corporate information to stakeholders, including customers, suppliers, employees and shareholders.

6. Preserving the global environment
   - Nagase recognizes its responsibility to maintain the global environment in a better condition and will act in accordance with that responsibility.

Specific Measures Taken for Individual Risks:

Product Safety and Quality Control

As the Nagase Group accelerates business globalization, the volume of offshore transactions it engages in as well as exports to and imports from China and other rapidly growing countries is increasing. The Company’s principal suppliers to date have been major chemical manufacturers in Europe and the United States, which differ from new suppliers in emerging countries in their transactions with the latter that require initiatives be put in place to prevent the occurrence of quality management and other issues due to legal and regulatory differences between Japan and the countries in question. Therefore, Nagase recognizes the increasing importance of encouraging overseas suppliers to conduct sound quality management. We have also worked on test programs to strengthen and expand Group-wide research, development, and manufacturing functions, recognizing the importance of maintaining the quality of manufactured goods.

Export Management Council meets on a monthly basis. At these meetings, the Security Trade Control Committee works to understand the export control situation, the latest revisions to the Foreign Exchange and Foreign Trade Control Law, and to formulate the Security Trade Control Regulations and conduct the regular review of the Group’s Security Trade Control Policy.

Specific Measures Taken for Individual Risks:

Security Trade Controls

As a trading company specializing in chemicals and which also carries out export business activities, mainly of chemical products and plastics, Nagase has set up its own Security Trade Control Regulations and established the Security Trade Control Committee to appropriately implement security trade control. Furthermore, the Company has established a department-level Security Trade Control Office within the Logistics Management Division to specialize in export controls and act as the Security Trade Control Committee’s secretariat. The Security Trade Control Committee meets once quarterly, while the Security Trade Control Committee’s secretariat meets once monthly.

Specific Management Framework

At Nagase, with regard to all products for export, the Compliance Program Procedural Administration System (CP-PAS) for goods and technology is employed to record data on export products and overseas customers. Furthermore, these activities are regulated by the Foreign Exchange and Foreign Trade Control Law and the United States’ Export Administration Regulations (EAR), while the Sales Division and export control officers confirm whether or not to permit sales in export. This system is designed to ensure that only those products approved by the Security Trade Control Office are available for export.

Moreover, given one step beyond mere adherence to the law, we define policies of the entire Nagase Group associated with security export controls that prohibit trade in products that are military-related items or that have military applications. We also make the Nagase Group fully aware of Group policies to prevent any exposure to security export control risks.

Efforts to Promote Personnel Development

Every year, the practical business of security trade controls becomes ever more complex. To keep pace with developments, the Nagase Group encourages its employees—primarily those involved in export operations—to become Security Trade Control (STC) Associates by taking the exam offered by the Center for Information on Security Trade Controls (CISTC). As of March 2013, the Company had 530 qualified STC Associates in 21 companies, with several STC Experts at Company headquarters. We continue to strive to foster personal with a high level of knowledge and expertise.

Aiming To Raise Awareness of Security Trade Controls

At Nagase, internal security trade control training is provided to all employees, and the human Resources & General Affairs Division offers various training opportunities such as orientation for new employees, personnel training according to level, and the implementation of other activities that educate and instill knowledge. In addition, we hold lectures for domestic subsidiaries and affiliates as well as overseas-based subsidiaries, with the entire Group participating. During fiscal 2012, a total of 969 individuals participated in training lectures through a training course.
Framework for Compliance with Chemical Laws and Regulations

Every time Nagase begins handling a new chemical, it conducts in-depth investigations into the materials involved in the chemical’s manufacture and related laws and regulations, while efficiently managing data compiled through such investigations using the above mentioned CP-PAS system. In this way, we are able to certify in detail which products contain regulated materials and ingredients and provide our customers with the information they require to confirm compliance with relevant laws and Japan abroad. To meet our own and customers’ green procurement requirements, we re-visited our Green Procurement Guidelines (established in February 2007) as Green Procurement Management Regulations in November 2011, providing for the procurement of appropriate goods after verification.

In addition, because we distribute information on the chemical sub- stances contained in products along the supply chain, we endeavor to pass on accurate information by participating in the Joint Articles Management Promotion-consultant (JAMP) and by using specialized tools for products containing chemical substances, such as MSDS Plus and AIS.

Strategic Approach to International Chemical Management (SAICM)
The action plan adopted at the 2002 World Summit on Sustainable Development—also known as the Johannesburg Summit—is aimed at ensuring that, by the year 2030, chemicals are produced and used in ways that minimize significant adverse impacts on the environment and human health. In accordance with this policy, the entire world is implementing the tightening and standardization of regulations concerning chemical management. Consequently, each nation is witnessing dynamic changes in applicable laws and regulations.

Also, the Registration, Evaluation, Assessment of Chemicals (REACH) regulations took effect in Europe in 2007. Following this, in 2009, China, South-Korea, Taiwan and other countries frustrated their respective regulatory systems relating to chemical management. In such an environment, as a company providing business worldwide, Nagase is providing support to its overseas subsidiaries in responding to these legal and regulatory developments.

These legal and regulatory developments naturally affect the finished products in which Nagase products are used. Therefore, it is important for the Nagase Group to offer its customers relevant information, and the Company works to ensure an accurate understanding of worldwide legal and regulatory trends with regard to chemical management. At the same time, with the aim of establishing a system to facilitate the global management of information related to the chemical products and chemical substances used in our products, we are providing product management education and guidance to our overseas counterparts.

Risk Management and Compliance Committee

In August 2009, the Company presented the outline of the business con- tinuity plan to all domestic Nagase Group companies. We held regular discus- sions with the Group manufacturing firm Nagase Chemtex Co., Ltd., and we are working together with that firm to develop specific stand-alone plans.

Nagase Group Environmental Management Structure

Nagase began building an environmental management structure in May 1999 by establishing an Environmental Protection Committee, a role currently assumed by the Risk Management & Compliance Committee. Relatively ear- lier than other trading companies in Japan, Nagase obtained ISO 14001 certifi- cation for its environmental management system in April 2000 in response to societal demands. Since then, the Environmental Protection Committee has offered affiliated companies advice and support for obtaining ISO certifica- tions and thereby expanded the scope of certification. During December 2012, Nagase Eko Co., Ltd. joined Nagase as a certified business establish- ment. In total, six sales companies (including NAGASE-OG COLORS & CHEMICALS CO., LTD., Nagase Chemical Co., Ltd., Nagase Plastics Co., Ltd., Nagase Absorbent Materials Co., Ltd., Nittoinden Nagase Co., Ltd.) conduct activities under the Environmental ISO Management Organization.

In addition, many Nagase Group manufacturing, processing, services, sales and other Group companies, having acquired certification independently, are conducting their own environmental activities.

We will continue with activities to improve the environmental manage- ment systems among certified Group companies.

Environmental Management Structure

Business Continuity Plan (ICP)

During fiscal 2008, the Company created a business continuity plan for a module disaster prevention assuming a major-scale earthquake and its effects on a typical business division. The plan was approved by the Risk Management & Compliance Committee, as based on government guidelines requiring conti- nuity planning for all major corporations and at least 50% of mid-sized firms required in these plans in 2006, as recommended by the Cabinet Office’s Central Disaster Prevention Council. This plan was rolled out through the Company’s divisions starting in fiscal 2009. By the end of fiscal 2011, all divisions were working to adopt the plan, which is now in a continuous review and improvement stage.

In August 2009, the Company presented the outlines of the business con- tinuity plan to all domestic Nagase Group companies. We held regular discus- sions with the Group manufacturing firm Nagase Chemtex Co., Ltd., and we are working together with that firm to develop specific stand-alone plans.

Fiscal 2012 Results

During the fiscal year ended March 2013, the Group con- ducted a disaster recovery drill simulating an earthquake occurring in the Osaka Triad. Our concern was the Osaka Triad as an alternative to provide backup, with each location being part and expanding accordingly in the triad. The locations directly affected by the disaster confirmed the safety of local employees, while the alternative location collected data regarding the safety of all locations, gathered information, and confirmed the operation of our ICP measures, and took notes of other issues according to business function. We will continue to improve the quality of our drills in the future.

Fiscal 2013 Initiatives

As a result, all divisions within the Group are adopt- ing business continuity plans. During fiscal 2013 we plan to have relevant departments and individuals read and verify plans, while we create different sce- narios with each related Group company to protect value chain integrity, continuing to train in unartic- ulated service delivery.

Environmental Management Activities

Nagase bases its environmental management activities on daily operations. Specific activities include the creation and expansion of eco-businesses and the enhancement of operational efficiency. The Company is strengthening its existing eco-businesses with new businesses in the energy field, placing extra focus on photovoltaic (PV) generation and energy-storage devices. Under our new three-year plan, Change-S2014, Nagase will emphasize cre- ating and expanding environmental and energy technology. By promoting information sharing and complementing functions among its departments and business groups, the Company will further reinforce the business structure required for the efficient and flexible provision of products and services that contribute to the realization of a sustainable, recycling-oriented and low-car- bon society.

In addition, Nagase is promoting activities aimed at reducing the environ- mental impact of its business operations. Still, we believe that we can reduce the environmental impact of our business activities by, for example, improving the efficiency of our logistics operations. Acting on this belief, we developed the Nagase Energy Calculation Online (NECO) System, which enables the automatic calculation of domestic cargo transport volume using distribution receipt data managed by our sales control system, bringing it on line in August 2008. This system makes it possible not only to calculate our annual cargo transport volume and CO2 emissions but to analyze transport routes for optim- ization, which also helps reduce our CO2 emissions. In such ways, the Nagase Group is striving to reduce energy consumption in its logistics opera- tions, thereby contributing to the prevention of global warming.

Beginning fiscal 2012, we have held regular Safety Patrols and Energy and Resource Conservation Patrols in buildings owned by the Company. These patrols ensure safety in the workplace and promote energy savings awareness within the Company.

Environmental Policy

1. Comply with all environmental laws, regulations, and other rules
   •  We will observe all environmental laws, regulations, and other rules as we conduct our business activities.

2. Develop businesses that give full consideration to environmental issues
   •  We will conduct our business activities in full awareness of the need to preserve the ecosystem and protect the environment, and we will make every possible effort to give full consideration to the environment within the limits of technological and eco- nomic feasibility.

3. Fulfill our responsibilities as a good corporate citizen
   •  As a good corporate citizen we will work together with public institutions, industry, and local communities to promote environmental conservation measures that are suitable for the Nagase Group.

4. Establish and continually improve an environmental management system
   •  We will work to construct an environmental management system in order to fully achieve the objectives set out in this Policy. We will continually make improvements to this system by setting concrete goals and working to fulfill them.

5. Disclose and make the relevant parties fully aware of our Environmental Policy
   •  We will disclose the Policy to the public and make all who work for the Nagase Group fully aware of its contents.
Environmental Burden Reduction Activities

Together with efforts to reduce its environmental impact, NAGASE & CO., LTD., the core company of the Nagase Group, intends to “develop businesses that give full consideration to environmental aspects.” As one important element of its environmental policy, Nagase contributes to reducing environmental burden through the discovery and development of Group-manufacturing companies of environment-oriented products and materials that are safe to society.

In line with resolutions made to the Act on the Rational Use of Energy, Nagase has been designated as a “specified corporation” by the Bureau of Economy, Trade and Industry since its energy usage exceeds fixed levels. Consequently, since fiscal 2011, we have compiled data on the amount of energy consumed at every facility, formulated medium- and long-term energy reduction plans, and submitted regular reports to the Bureau of Economy, Trade and Industry.

We built a roof-top greening system on the west terrace of our headquarters building in Tokyo. This system uses a non-invasive vegetation base to effectively catch rainwater, efficiently distribute water, insulate, and provide supertampulation, eliminating the need for regular watering. During summer months, offices directly below the space enjoy a pronounced two-degree cooling effect measured above the ceilings compared to locations not under the greening system. A similar system is being built at the Company’s Osaka headquarters building.

Nagase ChemteX Corp., a core manufacturing subsidiary of the Nagase Group, promoted energy conservation activities by developing an energy-saving framework in 2010. The company built a roof-top greening system on the west terrace of its headquarters building in Osaka and took steps to reduce its environmental impact.

Activities Undertaken by Nagase ChemteX

Nagase ChemteX Corp., a core manufacturing subsidiary of the Nagase Group, promoted energy conservation activities by developing an energy-saving framework in 2010. The company built a roof-top greening system on the west terrace of its headquarters building in Osaka and took steps to reduce its environmental impact.

Electronic Chemicals Business

Nagase currently manufactures and sells a chemical management system (CMS) to control the concentration of chemicals used in the manufacturing of semiconductors and liquid crystal displays (LCDs) in order to make the process more stable. Moreover, the company uses chemicals. The waste solvent recovery system contributes to zero emissions by collecting and processing waste solvents that individual companies have difficulty reducing, and reusing them as raw materials for different industries.

In fiscal 2012, Nagase ChemteX Corp. also sold power management equipment to the Kelangsing Energy Management System (KEMS) project, a project to develop a power management system for the Kelangsing nuclear power plant in Malaysia.

Nagase’s Environmental Business

The Nagase Group takes advantage of its trading company functions to uncover environmentally friendly products, offer feedback on market trends to suppliers, and propose new or alternative uses. The Company supports the environment and energy business through products, services, technology, and information.

Nagase Enters Organic Fertilizer and Agribusiness

Kawai Hiyoko manufactures organic fertilizers, including Bokashi fertilizers, and agricultural chemicals and materials, and supplies these products to professional agricultural producers nationwide. Bokashi fertilizers feature (1) easier break-down in soil and (2) easier plant absorption of components in the fertilizer. This is accomplished by obtaining limited fixed feed materials and other organic raw materials, turning them into high-value-added fertilizer through fermentation and aging.

During fiscal 2012, Kawai Hiyoko aimed to expand sales of Akita processing, a high-quality fertilizer sold through our fertilizer business that is used as raw materials for local chicken production in Akita Prefecture. The company was certified as a major agent of Aikokyo Healthy Supply, Inc., promoting and selling high-function liquid fertilizers, including AM|BART and AikoBIO. The company is helping generate higher-quality agricultural products throughout Japan, from Hokkaido in the north to Kyushu in the south.

Another major Kawai business is in the growing/sales of tomatoes and other premium agricultural goods. Here, the company works in cooperation with affiliate Uma Yasai Farm to expand the Uma Yasai brand products based on proprietary cultivation technologies. This venture is designed to expand production of agricultural goods using the Kawai fertilizers.

Going forward, Kawai will integrate with the Nagase Group bio technologies, actively developing fertilizers and agricultural materials, engaging in agricultural pursuits through proprietary means, and establishing a new generation of high-value-added businesses.
Social Contribution Activities

1. Contributing to Growth of Scientific Technology

Nagase has a long history of developing enzymes and technologies for organic compounds, along with its chemical industry, and for a wide range of applications in various industries, including pharmaceuticals. Through its business operations, the Company has come to understand the importance of basic research in biochemistry and organic chemistry. In line with this realization, we established the Nagase Science and Technology Foundation in 1989 with the aim of supporting research and development, as well as international exchange, in fields including biochemistry and organic chemistry, promoting advances in scientific technology and ultimately promoting socioeconomic development. Current contributions include research grants to researchers, etc. To date, the foundation has awarded a cumulative 350 research grants and 179 international exchange fellowships (discontinued in fiscal 2004), the sum of which totals approximately ¥1.02 billion. Beginning anew as a charitable foundation on April 1, 2011, Nagase Science and Technology Foundation began providing research grants accompanying the bestowing of the Nagase Research Promotion Award.

2. Active Contributions to Society

At the Nagase Group, one element of our environmental policy is to fulfill our responsibilities as a good corporate citizen. This is demonstrated by collaboration, sponsorship, and other support, as well as participation in various organizations.

<table>
<thead>
<tr>
<th>Name</th>
<th>Organization</th>
<th>Title</th>
<th>Subject matter</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fumio Tomi</td>
<td>Department of Chemistry and Biology</td>
<td>Professor</td>
<td>Development of organic chemical reagents</td>
</tr>
<tr>
<td>Yoshimasa Sato</td>
<td>Institute of Biological Chemistry</td>
<td>Professor</td>
<td>Construction of the sites and mechanisms that enable the synthesis of enzymes</td>
</tr>
<tr>
<td>Takahiro Soga</td>
<td>Department of Applied Science</td>
<td>Professor</td>
<td>Development of biocatalysts and enzyme models for chemical synthesis</td>
</tr>
<tr>
<td>Takemi Sano</td>
<td>Institute of Systems Innovation</td>
<td>Professor</td>
<td>Development of biocatalysts and enzyme models for chemical synthesis</td>
</tr>
<tr>
<td>Katsuhiko Sato</td>
<td>Institute of Systems Innovation</td>
<td>Professor</td>
<td>Evaluation of biocatalysts and enzyme models for chemical synthesis</td>
</tr>
<tr>
<td>Atsushi Hirata</td>
<td>Department of Biochemistry</td>
<td>Professor</td>
<td>Development of biocatalysts and enzyme models for chemical synthesis</td>
</tr>
<tr>
<td>Kenji Matsumoto</td>
<td>Institute of Biochemistry</td>
<td>Professor</td>
<td>Development of biocatalysts and enzyme models for chemical synthesis</td>
</tr>
<tr>
<td>Shinya Kato</td>
<td>Institute of Biochemistry</td>
<td>Professor</td>
<td>Development of biocatalysts and enzyme models for chemical synthesis</td>
</tr>
<tr>
<td>Makoto Honda</td>
<td>Graduate School of Engineering</td>
<td>Professor</td>
<td>Development of biocatalysts and enzyme models for chemical synthesis</td>
</tr>
<tr>
<td>Maho Minakata</td>
<td>Graduate School of Engineering</td>
<td>Professor</td>
<td>Development of biocatalysts and enzyme models for chemical synthesis</td>
</tr>
<tr>
<td>Jun Minakata</td>
<td>Graduate School of Engineering</td>
<td>Professor</td>
<td>Development of biocatalysts and enzyme models for chemical synthesis</td>
</tr>
<tr>
<td>Akikazu Ikeda</td>
<td>Graduate School of Pharmaceutical Sciences</td>
<td>Professor</td>
<td>Development of biocatalysts and enzyme models for chemical synthesis</td>
</tr>
<tr>
<td>Hironori Kikuchi</td>
<td>Faculty of Pharmaceutical Sciences</td>
<td>Professor</td>
<td>Development of biocatalysts and enzyme models for chemical synthesis</td>
</tr>
<tr>
<td>Yasunori Kikuchi</td>
<td>Faculty of Pharmaceutical Sciences</td>
<td>Professor</td>
<td>Development of biocatalysts and enzyme models for chemical synthesis</td>
</tr>
<tr>
<td>Masahiro Tanaka</td>
<td>Faculty of Pharmaceutical Sciences</td>
<td>Professor</td>
<td>Development of biocatalysts and enzyme models for chemical synthesis</td>
</tr>
<tr>
<td>Masato Tanaka</td>
<td>Faculty of Pharmaceutical Sciences</td>
<td>Professor</td>
<td>Development of biocatalysts and enzyme models for chemical synthesis</td>
</tr>
<tr>
<td>Tsurumasa Nakamura</td>
<td>Research Institute for Molecular</td>
<td>Associate Professor</td>
<td>Development of biocatalysts and enzyme models for chemical synthesis</td>
</tr>
<tr>
<td>Satoshi Minakata</td>
<td>Graduate School of Engineering</td>
<td>Professor</td>
<td>Development of biocatalysts and enzyme models for chemical synthesis</td>
</tr>
<tr>
<td>Satoshi Minakata</td>
<td>Graduate School of Engineering</td>
<td>Professor</td>
<td>Development of biocatalysts and enzyme models for chemical synthesis</td>
</tr>
</tbody>
</table>

3. Diversity Initiatives

Our diversity initiatives began in earnest in fiscal 2006 with the launch of the Diversity Promotion Committee. We conducted a second annual survey during fiscal 2011, and will continue to monitor our progress over the next three years. As we introduced new activities in fiscal 2012, we believe that diversity is an issue that our employees need to learn more about. To this end, the first three years of this program mainly focused on education-based activities. Based on our surveys, however, we have started looking at more specific measures, including the fiscal 2012 initiatives listed on the right.

Together with Our Employees (Diversity, Work-Life Balance, Professional Development)

As part of its promotion of global business operations, the Group considers it important to create new value for its companies by utilizing diverse human resources and providing comfortable work environments where each Group employee can demonstrate his or her abilities to the fullest. Recognizing the need for a long-term plan to achieve this goal, we launched the diversity committee in 2008, continuing to roll out initiatives since that time.

Diversity

1. Basic Stance on Diversity

The Nagase Group currently employs a diverse range of workers, who differ in terms of gender, nationality, age, values and lifestyles. The Group considers that the development of corporate culture will lead to the creation of new businesses as well as the improvement of business performance throughout the Group. These objectives involve the development of a corporate culture in which a diverse range of workers can share ideas, build shared acceptance through mutual understanding and help each other perform tasks while working vigorously and generating new synergies by exchanging values. Accordingly, the Nagase Group pursues diversity as one of its important corporate strategies.

2. Diversity Initiatives

Our diversity initiatives started in earnest in fiscal 2006 with the launch of the Diversity Promotion Committee. We conducted a second annual survey during fiscal 2011, and will continue to monitor our progress over the next three years as we introduced new activities in fiscal 2012. We believe that diversity is an issue that our employees need to learn more about. To this end, the first three years of this program mainly focused on education-based activities. Based on our surveys, however, we have started looking at more specific measures, including the fiscal 2012 initiatives listed on the right.

3. Career Support Program Trial (Diversity in Organizations and Individuals—Career Planning Support)

4. Participation in Inter-Industry Interchange Meetings for Female Employees (Same as above)

5. Home Care seminars (Development of comfortable workplace)

6. Continued messages via internal corporate communications (In-house education)

7. Career support program trial (Diversity in Organizations and Individuals—Career Planning Support)

8. Participation in inter-industry interchange meetings (Same as above)

9. Home care seminars (Development of comfortable workplace)
Promoting Group Functions through Organization-Wide Human Resources Development

Under our Change-S2014 medium-term business plan, our basic strategy is to bring to bear the full strength of the Nagase Group into the important fields aligning our value chain. The plan also defines Group-wide education programs based on work, as well as improved headquarters-based training for overseas national staff.

Instilling Our Management Philosophy and the Nagase Way
The Nagase Way is a common code of conduct that guides Nagase Group employees in our management philosophy, vision, and strategy. Work-specific Nagase Way training and on-site Nagase Way workshops are two ways that we continue to instill a better understanding of the Nagase Way among employees.

Major Topics under Change-S2014 for Nagase & Co.

Promoting globalization in our employees and sponsoring management training to create leaders with business skills
We have identified two major topics under Change-S2014 for professional development.

1. Promote globalization
   - Overseas business school and practical training (required for senior career-track employees (Assistant Manager); International education programs (by title, responsibility))

2. Train managers
   - Introduction of coaching programs for division managers; establish manager training courses based on NMP (Nagase Management Program)

We will continue to revise Group education and training programs according to changes in the external business environment and Nagase Group strategy.

Professional Development

The Nagase Group Professional Development Policy
The Nagase Group Approach to Professional Development

The Nagase Group professional development program consists of a natural combination of on-the-job and off-the-job training. On-the-job training lets employees experience real-world work in a variety of roles to gain new knowledge and skills. Off-the-job training also involves training and gaining skills through both formal classes and self-directed learning.

The general consensus is that on-the-job training is an extremely important part of professional growth. However, we believe that on-the-job training can’t be effective without adding new knowledge, skills, and systems for understanding them. The Nagase Group promotes on-the-job training, while at the same time ensuring employees are able to learn knowledge and skills for their continued growth. These programs include work-specific, position-specific, and elective training, and other education opportunities.

Work-Life Balance Initiatives
During fiscal 2012 we partially revised the current internal system, allowing employees to split home-care time off to cover for two segments for each periond requiring home care. In addition, employees now can use up to five days per year for long-term sick leave (accumulated paid time off) when they need time off to care for a parent after using all regular eligible paid time off. The company offers home care seminars (in conjunction with a not-for-profit organization), as well as joint management-labor programs to educate employees on corporate benefits. Nagase will make continuing efforts to enhance work-life balance to achieve even more comfortable work environments.

In-house education
- Periodic messages from top management: Broadcasts of related information
- In-house training (Management Philosophy, Nagase Way, Direction, Current Conditions)

Diversity in organization and individuals
- Improve global communications
- Support for employees’ career development
- Continue employing non-Japanese, women for managerial positions; improve culture

Development of comfortable workplace
- In-plant awareness and active initiatives for productivity improvements and other challenges
- Support employees who are dealing with home care or other challenges

The Nagase Way is a common code of conduct that guides Nagase Group employees in our management philosophy, vision, and strategy. Work-specific Nagase Way training and on-site Nagase Way workshops are two ways that we continue to instill a better understanding of the Nagase Way among employees.

Number of Participants at Main Training Programs

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Total</td>
<td>298</td>
<td>486</td>
<td>527</td>
</tr>
<tr>
<td>Gender</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Female</td>
<td>140</td>
<td>231</td>
<td>242</td>
</tr>
<tr>
<td>Male</td>
<td>158</td>
<td>255</td>
<td>285</td>
</tr>
</tbody>
</table>

The Business Leadership Program for Overseas National Staff

| Number of Overseas National Staff | 37          | 29          | 46          |
Gross Profit and Net Income

By adding Hayashibara Co., Ltd. to our consolidation, and with strong sales of components for smart phones and tablets, the Group recorded year-on-year gross profit increase of 15.3%, reaching ¥631.85 billion. As a result, our gross profit ratio rose 1.1 points to 12.4%.

Operating profit climbed 18% compared to the prior fiscal year to ¥15.57 billion. The Group felt the negative impact of higher selling, general and administrative expenses with the addition of new consolidated subsidiaries as well as higher operating losses among several subsidiaries. However, a change in depreciation methods for property, plant and equipment led to lower depreciation and amortization expense, offsetting the downward pressure on results. The Group’s operating margin improved 0.2 points compared to the prior fiscal year, rising to 2.3%.

Overview of Results

During the period under review, Japan’s economy was a mix of good and bad news, depending on the region and industry. While government stimulus policies helped the logistics and construction industries, the auto and semiconductor industries felt the effects of a weak yen and continued to feel the impact of rising energy and material costs. The Group also faced challenges in the electronics industry. As a result, sales in the fiscal year ended March 31, 2013, reached ¥666.27 billion, representing a 5.4% year-on-year increase.

Net Sales

During the period under review, Japan’s economy was a mix of good and bad news, depending on the region and industry. While government stimulus policies helped the logistics and construction industries, the auto and semiconductor industries felt the effects of a weak yen and continued to feel the impact of rising energy and material costs. The Group also faced challenges in the electronics industry. As a result, sales in the fiscal year ended March 31, 2013, reached ¥666.27 billion, representing a 5.4% year-on-year increase.

Business Lines and Scope of Consolidation

The Nagase Group imports and exports a diverse array of products and engages in domestic transactions, with NAGASE & CO., LTD. (Head Office, Osaka) at its center. In addition, the Group manufactures and sells products and provides services. These businesses are conducted by 114 related companies, consisting of 76 subsidiaries and 28 affiliates. The scope of consolidation includes 61 subsidiaries as well as 21 affiliates, which are accounted for by the equity method.

As of the Fiscal Year-End:

- Total Assets: ¥486.747 billion
- Net Assets: ¥237.806 billion
- Interest-Bearing Debt: ¥98.425 billion
- Share Price (Yen): ¥1,147
- Market Value: ¥1,687,974
- Number of Shares Issued and Outstanding: 138,408,000
- Number of Shareholders: 6,921
- Number of Employees: 5,897
- Net Income / Net Income per Share:
  - Net Income: ¥111.31 billion
  - Net Income per Share: ¥111.31

Ratios:

- Operating Margin (%): 2.3
- Ratio of Income before Income Taxes and Minority Interests to Net Sales (%): 2.9
- Return on Sales (ROS) (%): 2.1
- Total Assets Turnover (Times): 1.4
- Return on Equity (ROE) (%): 6.5
- Shareholders’ Equity Ratio (%): 46.9
- Debt to Equity Ratio (Times): 0.43
- Current Ratio (%): 184.4
- Interest Coverage Ratio (Times): 3.0

Management’s Discussion and Analysis of Operations and Finances

The Nagase Group imports and exports a diverse array of products and engages in domestic transactions, with NAGASE & CO., LTD. (the "Company" or "NAGASE") at its center. In addition, the Group manufactures and sells products and provides services. These businesses are conducted by 114 related companies, consisting of 76 subsidiaries and 28 affiliates. The scope of consolidation includes 61 subsidiaries as well as 21 affiliates, which are accounted for by the equity method.

Overview of Results

Net Sales

During the period under review, Japan’s economy was a mix of good and bad news, depending on the region and industry. While government stimulus policies helped the logistics and construction industries, the auto and semiconductor industries felt the effects of a weak yen and continued to feel the impact of rising energy and material costs. The Group also faced challenges in the electronics industry. As a result, sales in the fiscal year ended March 31, 2013, reached ¥666.27 billion, representing a 5.4% year-on-year increase.

Business Lines and Scope of Consolidation

The Nagase Group imports and exports a diverse array of products and engages in domestic transactions, with NAGASE & CO., LTD. at its center. In addition, the Group manufactures and sells products and provides services. These businesses are conducted by 114 related companies, consisting of 76 subsidiaries and 28 affiliates. The scope of consolidation includes 61 subsidiaries as well as 21 affiliates, which are accounted for by the equity method.

As of the Fiscal Year-End:

- Total Assets: ¥486.747 billion
- Net Assets: ¥237.806 billion
- Interest-Bearing Debt: ¥98.425 billion
- Share Price (Yen): ¥1,147
- Market Value: ¥1,687,974
- Number of Shares Issued and Outstanding: 138,408,000
- Number of Shareholders: 6,921
- Number of Employees: 5,897
- Net Income / Net Income per Share:
  - Net Income: ¥111.31 billion
  - Net Income per Share: ¥111.31

Ratios:

- Operating Margin (%): 2.3
- Ratio of Income before Income Taxes and Minority Interests to Net Sales (%): 2.9
- Return on Sales (ROS) (%): 2.1
- Total Assets Turnover (Times): 1.4
- Return on Equity (ROE) (%): 6.5
- Shareholders’ Equity Ratio (%): 46.9
- Debt to Equity Ratio (Times): 0.43
- Current Ratio (%): 184.4
- Interest Coverage Ratio (Times): 3.0

Management’s Discussion and Analysis of Operations and Finances

The Nagase Group imports and exports a diverse array of products and engages in domestic transactions, with NAGASE & CO., LTD. at its center. In addition, the Group manufactures and sells products and provides services. These businesses are conducted by 114 related companies, consisting of 76 subsidiaries and 28 affiliates. The scope of consolidation includes 61 subsidiaries as well as 21 affiliates, which are accounted for by the equity method.

Overview of Results

Net Sales

During the period under review, Japan’s economy was a mix of good and bad news, depending on the region and industry. While government stimulus policies helped the logistics and construction industries, the auto and semiconductor industries felt the effects of a weak yen and continued to feel the impact of rising energy and material costs. The Group also faced challenges in the electronics industry. As a result, sales in the fiscal year ended March 31, 2013, reached ¥666.27 billion, representing a 5.4% year-on-year increase.
Results by Business Segment

Functional Materials
Fiscal years ended March 31 (¥ Million)

<table>
<thead>
<tr>
<th>Segment</th>
<th>2012</th>
<th>2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>Segment Income</td>
<td>6,019</td>
<td>6,297</td>
</tr>
<tr>
<td>Depreciation and Amortization</td>
<td>530</td>
<td>576</td>
</tr>
<tr>
<td>Net Sales</td>
<td>110,449</td>
<td>118,599</td>
</tr>
<tr>
<td>Goodwill</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Amortization of Goodwill</td>
<td>23</td>
<td>96</td>
</tr>
<tr>
<td>Amount Invested in Equity Method Affiliates</td>
<td>103</td>
<td>98</td>
</tr>
<tr>
<td>Amount of Increase in Tangible and Intangible Fixed Assets</td>
<td>4,079</td>
<td>2,794</td>
</tr>
<tr>
<td>Depreciation and Amortization</td>
<td>530</td>
<td>576</td>
</tr>
<tr>
<td>Net Sales</td>
<td>110,449</td>
<td>118,599</td>
</tr>
</tbody>
</table>

The Group’s Electronic chemicals business experienced lower year-on-year revenues as a whole. Solid performance in formulated epoxy adhesives for mobile phones was more than offset by lower comparable sales of chemicals used in the manufacture of semiconductor and LCD panels.

Automotive & Energy
Fiscal years ended March 31 (¥ Million)

<table>
<thead>
<tr>
<th>Segment</th>
<th>2012</th>
<th>2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>Segment Income</td>
<td>4,917</td>
<td>4,756</td>
</tr>
<tr>
<td>Depreciation and Amortization</td>
<td>1,927</td>
<td>1,044</td>
</tr>
<tr>
<td>Net Sales</td>
<td>19,275</td>
<td>18,759</td>
</tr>
<tr>
<td>Goodwill</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Amortization of Goodwill</td>
<td>1,927</td>
<td>1,044</td>
</tr>
<tr>
<td>Amount Invested in Equity Method Affiliates</td>
<td>103</td>
<td>98</td>
</tr>
<tr>
<td>Amount of Increase in Tangible and Intangible Fixed Assets</td>
<td>4,079</td>
<td>2,794</td>
</tr>
<tr>
<td>Depreciation and Amortization</td>
<td>530</td>
<td>576</td>
</tr>
<tr>
<td>Net Sales</td>
<td>110,449</td>
<td>118,599</td>
</tr>
</tbody>
</table>

Functional saccharides business sales from the Group’s prior fiscal year. This result was mainly due to the consolidation of functional saccharides business sales from Hayashibara Co., Ltd. (net sales of ¥4,41 billion), acquired by the Group during the prior fiscal year. As a result, net sales amounted to ¥7,68 billion, representing a year-on-year increase of 92.5 billion (-4.8%). Operating profit amounted to ¥5.98 billion, a ¥2.27 billion (46.1%) increase, again, mainly due to the addition of Hayashibara’s functional saccharides.

Other
The Other business segment saw lower revenues and higher profits for the fiscal period under review. Net sales amounted to ¥5,84 billion, a ¥0.17 billion decrease (-1.7%), while operating profit showed a ¥0.12 billion year-on-year increase (+83.9%), up to ¥0.26 billion.

Financial Condition
Consolidated Statement of Cash Flows
Cash and cash equivalents at the end of the year amounted to ¥45.81 billion, representing a ¥17.29 billion (+60.7%) increase compared to the end of the prior fiscal year.

Cash Flows from Operating Activities
Cash Flows from operating activities amounted to ¥18.57 billion for the fiscal year under review. Cash outlays for income tax payments amounted to ¥6.38 billion, which was more than offset by net income before income taxes and minority interests of ¥19.45 billion and non-cash depreciation and amortization of ¥7.44 billion.

Cash Flows from Investing Activities
Cash flows used in investing activities amounted to ¥9.52 billion. While the Group recorded cash inflows from the disposal of property, plant and equipment in the amount of ¥10.23 billion, cash used in the acquisition of non-current tangible and intangible fixed assets amounted to ¥12.26 billion.

Cash Flows from Financing Activities
Cash flows from financing activities amounted to ¥19.57 billion for the fiscal year under review. The Group paid ¥27.83 billion in repayments of loans, which was offset by ¥29.85 billion in proceeds from the issuance of corporate bonds.

Cash Flow Summary
Fiscal years ended March 31 (¥ Million)

<table>
<thead>
<tr>
<th>Fiscal year</th>
<th>2010</th>
<th>2011</th>
<th>2012</th>
<th>2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net Cash Provided by Operating Activities</td>
<td>36,161</td>
<td>27,875</td>
<td>10,997</td>
<td>5,690</td>
</tr>
<tr>
<td>Net Cash Provided by Investing Activities</td>
<td>(71,042)</td>
<td>(9,438)</td>
<td>(8,147)</td>
<td>(8,528)</td>
</tr>
<tr>
<td>Net Cash Provided by Financing Activities</td>
<td>(5,548)</td>
<td>(11,758)</td>
<td>3,564</td>
<td>56,961</td>
</tr>
</tbody>
</table>

The Group’s automotive and imaging business recorded lower overall sales compared to the prior fiscal year. Sales under-performed year-on-year levels in larger additives and information printing materials. At the same consolidation and reorganization among groups and textile processing agents for the textile processing industry also placed downward pressure on sales for the year.

Office Equipment and Appliances saw a slight increase in sales compared to the prior fiscal year. Despite lower sales domestically and increased exports of raw materials to major users, sales of plastics in the Americas, while exports of molding tools also under performed year-on-year levels.

As a whole, the performance chemical business experienced slightly lower year-on-year sales. Sales of plastic materials and additives to the Asian markets fell, while anti-Japanese sentiment in China led to decreased sales of anode materials to the automobile industry. Despite this weakness, the Group recorded solid sales of coating raw materials for domestic construction, and increased year-on-year sales of basic chemicals in Southeast Asia and China.

The specialty chemicals business recorded lower year-on-year sales as a whole. While sales of surfactants performed well, sales of raw materials for industrial solutions and functional materials for the automotive and fiber industries were weak. Sales of precision abrasives materials for the hard disk drive industry also came in at levels lower than the prior fiscal year.

Advanced Materials & Processing
Fiscal years ended March 31 (¥ Million)

<table>
<thead>
<tr>
<th>Segment</th>
<th>2012</th>
<th>2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>Segment Income</td>
<td>8,619</td>
<td>8,297</td>
</tr>
<tr>
<td>Depreciation and Amortization</td>
<td>530</td>
<td>576</td>
</tr>
<tr>
<td>Net Sales</td>
<td>217,509</td>
<td>214,546</td>
</tr>
<tr>
<td>Goodwill</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Amortization of Goodwill</td>
<td>23</td>
<td>96</td>
</tr>
<tr>
<td>Amount Invested in Equity Method Affiliates</td>
<td>103</td>
<td>98</td>
</tr>
<tr>
<td>Amount of Increase in Tangible and Intangible Fixed Assets</td>
<td>4,079</td>
<td>2,794</td>
</tr>
<tr>
<td>Depreciation and Amortization</td>
<td>530</td>
<td>576</td>
</tr>
<tr>
<td>Net Sales</td>
<td>217,509</td>
<td>214,546</td>
</tr>
</tbody>
</table>

Advanced Materials & Processing recorded net sales of ¥14.54 billion, which was a ¥3.38 billion (-1.6%) year-on-year decrease. This result was mainly due to lower domestic sales, despite gains in Northeast Asia and Southeast Asia. Operating profit came in at ¥2.38 billion, or a ¥0.59 billion (19.9%) year-on-year decrease. Factors contributing to this decline included lower gross profit levels, stemming from lower revenues, and weaker operating results among the Group’s manufacturing facilities related to office equipment and appliances.

Results by Business Segment

Other
The Other business segment saw lower revenues and higher profits for the fiscal period under review. Net sales amounted to ¥5,84 billion, a ¥0.17 billion decrease (-1.7%), while operating profit showed a ¥0.12 billion year-on-year increase (+83.9%), up to ¥0.26 billion.

Financial Condition
Consolidated Statement of Cash Flows
Cash and cash equivalents at the end of the year amounted to ¥45.81 billion, representing a ¥17.29 billion (+40.7%) increase compared to the end of the prior fiscal year.

Cash Flows from Operating Activities
Cash Flows from operating activities amounted to ¥18.57 billion for the fiscal year under review. Cash outlays for income tax payments amounted to ¥6.38 billion, which was more than offset by net income before income taxes and minority interests of ¥19.45 billion and non-cash depreciation and amortization of ¥7.44 billion.

Cash Flows from Investing Activities
Cash flows used in investing activities amounted to ¥9.52 billion. While the Group recorded cash inflows from the disposal of property, plant and equipment in the amount of ¥10.23 billion, cash used in the acquisition of non-current tangible and intangible fixed assets amounted to ¥12.26 billion.

Cash Flows from Financing Activities
Cash flows from financing activities amounted to ¥19.57 billion for the fiscal year under review. The Group paid ¥27.83 billion in repayments of loans, which was offset by ¥29.85 billion in proceeds from the issuance of corporate bonds.

Cash Flow Summary
Fiscal years ended March 31 (¥ Million)

<table>
<thead>
<tr>
<th>Fiscal year</th>
<th>2010</th>
<th>2011</th>
<th>2012</th>
<th>2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net Cash Provided by Operating Activities</td>
<td>36,161</td>
<td>27,875</td>
<td>10,997</td>
<td>5,690</td>
</tr>
<tr>
<td>Net Cash Provided by Investing Activities</td>
<td>(71,042)</td>
<td>(9,438)</td>
<td>(8,147)</td>
<td>(8,528)</td>
</tr>
<tr>
<td>Net Cash Provided by Financing Activities</td>
<td>(5,548)</td>
<td>(11,758)</td>
<td>3,564</td>
<td>56,961</td>
</tr>
</tbody>
</table>
Outlook for the Year Ending March 31, 2014

The business environment for the fiscal year ending March 2014 is likely to see improvements in Japanese exports due to the weakened yen, as well as higher utilization rates among Japanese businesses. The Group will continue to focus on cost reduction, productivity improvement, and enhancing the competitiveness of its operations. The Group will also continue its efforts in research and development to create new business opportunities.

Consolidated Balance Sheets

Net Assets
Net assets improved ¥11.60 billion compared to the end of the prior fiscal year, mainly stemming from investments in domestic manufacturing subsidiaries.

Liabilities
Total liabilities as of the end of the fiscal year under review amounted to ¥248.94 billion, an increase of ¥10.84 billion compared to the end of the prior fiscal year. This increase was mainly due to the issuance of unsecured bonds, offset in part by a decrease in loans.

Capital Investment
Capital investment during the fiscal period under review amounted to ¥11.69 billion, mainly stemming from investments in domestic manufacturing subsidiaries.

Research Costs
The Nagase Group engages in research and development to create new business opportunities. The Group continued to explore and adopt new methods, resulting in products such as TREHA™, AA2G™, and a new generation of powerful functional saccharide products. The Group incurred a total of ¥4.61 billion in consolidated research costs for the fiscal year under review.

Shareholders’ Equity Ratio / ROE
As of / Years ended March 31

Shareholders’ Equity Ratio (Left) ROE (Right)
2009 2010 2011 2012 2013
(%) (%)
500 5
400 4
300 3
200 2
100 1
0

Total Assets / ROA
As of / Years ended March 31

Total Assets (Left) ROA (Right)
2009 2010 2011 2012 2013
(¥ Billion) (%)
150 3
100 2
50 1
0

Working Capital / Prepaid Cost Recovery
As of / Years ended March 31

Working Capital (Left) Prepaid Cost Recovery (Right)
2009 2010 2011 2012 2013
(¥ Billion) (Months)
150 3
100 2
50 1
0

Research and Development Expenses
Fiscal years ended March 31

Research and Development Expenses (¥ Billion)
2009 2010 2011 2012 2013
60 8
50 7
40 6
30 5
20 4
10 3
0

Research and Development Expenses
2009 2010 2011 2012 2013
(¥ Billion)

Research and Development Expenses
2009 2010 2011 2012 2013
(¥ Billion)

Research and Development Expenses
2009 2010 2011 2012 2013
(¥ Billion)

Research and Development Expenses
2009 2010 2011 2012 2013
(¥ Billion)
Dividend Policy

Through the enhancement of its earnings power and corporate structure, NAGASE adheres to an ongoing basic policy of making continuous and second dividend payments linked to its consolidated performance, and that it aims to keep increasing the per-share dividend with due consideration given to the payout ratio and the ratio of dividends to net assets on a consolidated basis. NAGASE intends to use the retained earnings effectively to support future business activities and to strengthen its management foundation.

In addition, the Company has determined in its articles of incorporation allowance or interim dividend payment according to the provisions of articles 454 paragraph 5 of the Company Law. Accordingly, the Company’s board of directors has resolved to adopt a dividends policy calling for dividend payments every year, one as interim and one at the end of the fiscal year, subject to approval by the general meeting of shareholders.

Based on this policy, NAGASE plans to pay a year-end dividend of ¥13.00 per share for the fiscal year ended March 31, 2013. Therefore, together with the interim dividend, the Company will pay an annual dividend of ¥26.00 per share. The consolidated payout ratio decreased to 25.4% from 36.0% for the previous fiscal year.

For the fiscal year ending March 31, 2014, NAGASE plans to pay an annual per-share dividend of ¥28.00, consisting of an interim and year-end dividend of ¥14.00 each.

(4) Impact of Fluctuations in Interest Rates

The Nagase Group procures the funds required for its operating and investing activities through debt financing with financial institutions. The Group has a certain amount of interest-bearing debt with variable interest rates. When undertaking variable-rate debt financing, the Group ensures that the risk associated with fluctuations in interest rates is minimized by using interest rate swap contracts and other available means. However, future fluctuations in interest rates could impact the Nagase Group’s performance and financial position.

(5) Risks Involved in Operating Overseas

A significant percentage of the Nagase Group’s activities involve selling and manufacturing overseas, principally in China, Southeast Asia, Europe and North America. As a matter of policy, the Nagase Group makes every effort to determine trends in markets overseas and respond appropriately to them. However, failure on the part of the Nagase Group to make accurate projections due to unexpected events including factors related to the regulatory systems and customs of overseas countries could impact the Group’s performance and financial position.

(6) Impact of Changes in Stock Prices

The Nagase Group maintains a portfolio of marketable stock, primarily shares of companies with which the Group transacts business, and is subject to the risk of changes in the prices of these shares. As a matter of policy, the Nagase Group seeks to reduce this risk by continuously reviewing and reorganizing its holdings.

However, changes in stock prices could impact the Group’s performance and financial position. Moreover, a drop in stock prices that reduces net asset prices could impact the Group’s profitability by increasing retirement benefit costs.

(7) Counterparty Credit Risk

The Nagase Group is exposed to credit risk because it extends credit to counterparties in a diverse array of transactions. The Group is subject to credit risk to the extent that increased costs cannot be passed on to the consumer in price adjustments, the Company may experience significant impact on profits.

Conversely, the financial condition or bankruptcy of counterparties could impact the Group’s performance and financial position. Therefore, the Group undertakes due diligence prior to extending credit to ensure that the counterparties are financially sound and have adequate capital or collateral. The Group also maintains a portfolio of marketable stock, primarily shares of companies with which the Group transacts business, and is subject to the risk of changes in the prices of these shares. As a matter of policy, the Nagase Group seeks to reduce this risk by continuously reviewing and reorganizing its holdings.

However, changes in stock prices could impact the Group’s performance and financial position. Moreover, a drop in stock prices that reduces net asset prices could impact the Group’s profitability by increasing retirement benefit costs.

Statements made in this document with respect to the Nagase Group’s performance outlook contain forward-looking statements based on assumptions, projections and plans of the Company as of May 2013. Therefore, readers are advised that actual results may differ materially from projections.

(10) Risks of Handling Various Chemicals

Chemicals are a core business of the Nagase Group, which imports and exports a diverse array of products for a broad range of applications. This Group’s reports are therefore subject to the application of regulations that aim in part to maintain international peace and safety, including the Foreign Exchange and Foreign Trade Control Law and the Export Trade Control Order, and imports and exports are subject to the Chemical Substances Control Law and other laws and regulations. The Nagase Group has therefore established the Security Trade Control Committee and the Foreign Compliance Committee, which work to ensure compliance with the above regulatory systems and with laws related to chemical product management in China, Southeast Asia, Europe, North America and elsewhere. Contravention of these regulatory systems would result in restrictions on business activities, and therefore could impact the Group’s performance and financial position.

(11) Risk of Natural Disasters

The Nagase Group companies have each created a business continuity plan in the event of a natural disaster, adopting a preventive framework that includes an emergency response manual, and implementing measures to respond to earthquakes, disaster prevention training, and other preparations in the event of a natural disaster. However as the Nagase Group conducts business across a wide range of nations and regions, large-scale disasters, HYT is to other infectious diseases, or in other words could potentially disrupt the Company’s supply chain, company operations or activities in foreign countries could impact NAGASE’s performance and financial position.

(8) Risk of Investments

The Nagase Group’s businesses are based on brokerage transactions, and the Group is working to develop high-value-added brokerage businesses. The increased latent risks involved could impact the Group’s performance and financial position.

(9) Product Quality Risk

The Nagase Group operates the Nagase R&D Center and manufacturing subsidiaries to provide high-added value to customers, and devotes significant attention to the quality of its products. However, issues such as defects in these products would terminate sales and require the Nagase Group to reimburse customers, which could impact the Group’s performance and financial position.

NAGASE & CO., LTD. Annual Report 2013

Consolidated Payout Ratio/
Ratio of Dividends to Net Assets on a Consolidated Basis

<table>
<thead>
<tr>
<th>As of / Years ended March 31</th>
<th>2009</th>
<th>2010</th>
<th>2011</th>
<th>2012</th>
<th>2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>Consolidated Payout Ratio (Left)</td>
<td>0.50</td>
<td>0.50</td>
<td>0.50</td>
<td>0.50</td>
<td>0.50</td>
</tr>
<tr>
<td>Ratio of Dividends to Net Assets on a Consolidated Basis (Right)</td>
<td>2.00</td>
<td>2.00</td>
<td>2.00</td>
<td>2.00</td>
<td>2.00</td>
</tr>
</tbody>
</table>

Consolidated Payout Ratio/ Ratio of Dividends to Net Assets on a Consolidated Basis: Chart
### Consolidated Balance Sheets

**Nagase & Co., Ltd. and Consolidated Subsidiaries (March 31, 2013 and 2012)**

#### ASSETS

<table>
<thead>
<tr>
<th>Millions of yen</th>
<th>2013</th>
<th>2012</th>
<th>Millions of yen</th>
<th>2013</th>
<th>2012</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Current assets:</strong></td>
<td></td>
<td></td>
<td><strong>Current liabilities:</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash and time deposits (Notes 16 and 22)</td>
<td>¥46,893</td>
<td>¥29,184</td>
<td>¥496,470</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Notes and accounts receivable (Notes 16 and 25)</td>
<td>51,863</td>
<td>551,441</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Deferred tax assets (Note 12)</td>
<td>4,282</td>
<td>4,067</td>
<td>45,929</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Other current assets</td>
<td>7,967</td>
<td>7,299</td>
<td>84,710</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Less allowance for doubtful accounts</td>
<td>(1,057)</td>
<td>(1,235)</td>
<td>(11,239)</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Total current assets</strong></td>
<td>305,751</td>
<td>282,280</td>
<td>3,250,941</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Property, plant and equipment, at cost (Note 6):</strong></td>
<td></td>
<td></td>
<td><strong>Long-term liabilities:</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Land (Note 8)</td>
<td>19,441</td>
<td>18,523</td>
<td>206,709</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Buildings and structures</td>
<td>50,057</td>
<td>46,398</td>
<td>532,238</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Machinery, equipment and vehicles</td>
<td>77,351</td>
<td>71,588</td>
<td>822,446</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Leased assets</td>
<td>537</td>
<td>566</td>
<td>5,710</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Construction in progress</td>
<td>1,833</td>
<td>4,130</td>
<td>19,490</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Less accumulated depreciation</td>
<td>(4,254)</td>
<td>(63,470)</td>
<td>(938,373)</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Property, plant and equipment, net (Note 23)</strong></td>
<td>60,967</td>
<td>56,727</td>
<td>648,240</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Investments and other assets:</strong></td>
<td></td>
<td></td>
<td><strong>Total long-term liabilities</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Investments in securities (Notes 7 and 16):</td>
<td></td>
<td></td>
<td>83,129</td>
<td>56,407</td>
<td>883,881</td>
</tr>
<tr>
<td>Unconsolidated subsidiaries and affiliates (Note 23)</td>
<td>7,770</td>
<td>7,307</td>
<td>522,062</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Other</td>
<td>49,869</td>
<td>41,707</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Total investments and other assets</strong></td>
<td>56,670</td>
<td>49,014</td>
<td>594,072</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Deferred tax assets (Note 12):</strong></td>
<td></td>
<td></td>
<td><strong>Other long-term liabilities:</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Deferred tax assets (Note 12)</td>
<td>2,249</td>
<td>896</td>
<td>23,913</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Other assets (Note 6)</td>
<td>9,542</td>
<td>7,317</td>
<td>101,457</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Less allowance for doubtful accounts</td>
<td>(266)</td>
<td>(266)</td>
<td>(3,073)</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Total investments and other assets</strong></td>
<td>120,029</td>
<td>111,833</td>
<td>1,276,225</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Total assets (Note 23):</strong></td>
<td>¥486,747</td>
<td>¥450,842</td>
<td>¥5,175,407</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**See accompanying notes to consolidated financial statements.**

#### LIABILITIES AND NET ASSETS

<table>
<thead>
<tr>
<th>Millions of yen</th>
<th>2013</th>
<th>2012</th>
<th>Millions of yen</th>
<th>2013</th>
<th>2012</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Current liabilities:</strong></td>
<td></td>
<td></td>
<td><strong>Total liabilities:</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Notes and accounts payable (Notes 9, 16 and 25)</td>
<td>¥107,941</td>
<td>¥109,163</td>
<td>¥1,147,698</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Short-term loans (Notes 8 and 16)</td>
<td>25,061</td>
<td>38,633</td>
<td>266,465</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Current portion of long-term loans and finance lease obligations (Notes 8 and 16)</td>
<td>10,473</td>
<td>11,813</td>
<td>111,356</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Accrued income taxes (Note 12)</td>
<td>2,947</td>
<td>3,170</td>
<td>31,334</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Deferred tax liabilities (Note 12)</td>
<td></td>
<td></td>
<td></td>
<td>21</td>
<td>50</td>
</tr>
<tr>
<td>Accrued expenses</td>
<td>3,538</td>
<td>3,605</td>
<td>37,618</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Accrued bonuses for employees</td>
<td>3,968</td>
<td>3,632</td>
<td>42,190</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Accrued bonuses for directors</td>
<td>219</td>
<td>198</td>
<td>3,329</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Other current liabilities</td>
<td>11,641</td>
<td>11,822</td>
<td>123,775</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Total current liabilities</strong></td>
<td>165,812</td>
<td>161,669</td>
<td>1,763,020</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Long-term liabilities:</strong></td>
<td></td>
<td></td>
<td><strong>Total liabilities and net assets:</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Bonds (Notes 8 and 16)</td>
<td></td>
<td></td>
<td>¥450,842</td>
<td>¥5,175,407</td>
<td></td>
</tr>
<tr>
<td>Long-term loans and finance lease obligations (Notes 8 and 16)</td>
<td>32,890</td>
<td>34,463</td>
<td>349,706</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Deferred tax liabilities (Note 12)</td>
<td>10,351</td>
<td>7,251</td>
<td>98,363</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Accrued retirement benefits for employees (Note 11)</td>
<td>11,622</td>
<td>109,335</td>
<td>109,335</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Other long-term liabilities</td>
<td>7,475</td>
<td>7,475</td>
<td>7,475</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Total long-term liabilities</strong></td>
<td>30,000</td>
<td>—</td>
<td>318,979</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Total liabilities:</strong></td>
<td>195,812</td>
<td>169,144</td>
<td>1,763,020</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Contingent liabilities (Note 20):</strong></td>
<td></td>
<td></td>
<td><strong>Total shareholders’ equity:</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Net assets:</strong></td>
<td></td>
<td></td>
<td>211,792</td>
<td>212,744</td>
<td>2,251,209</td>
</tr>
<tr>
<td>Shareholders’ equity (Note 13):</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Common stock:</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Authorized—346,980,000 shares</td>
<td>9,699</td>
<td>9,699</td>
<td>103,126</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Issued—138,408,285 shares in 2013 and 9,893,787 shares in 2012</td>
<td>10,041</td>
<td>10,041</td>
<td>106,762</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Total shareholders’ equity</strong></td>
<td>211,792</td>
<td>212,744</td>
<td>2,251,209</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Less treasury stock, at cost (Note 14):</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>–11,693,809 shares in 2013 and 9,893,787 shares in 2012</td>
<td>(7,109)</td>
<td>(5,460)</td>
<td>(75,587)</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Total shareholders’ equity</strong></td>
<td>204,683</td>
<td>207,284</td>
<td>2,175,622</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Deferred tax assets (Note 12):</strong></td>
<td></td>
<td></td>
<td><strong>Total long-term liabilities</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Deferred tax assets (Note 12)</td>
<td>2,249</td>
<td>896</td>
<td>23,913</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Other assets (Note 6)</td>
<td>9,542</td>
<td>7,317</td>
<td>101,457</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Less allowance for doubtful accounts</td>
<td>(266)</td>
<td>(266)</td>
<td>(3,073)</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Total investments and other assets</strong></td>
<td>120,029</td>
<td>111,833</td>
<td>1,276,225</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Net unrealized holding gain on securities (Note 7):</strong></td>
<td></td>
<td></td>
<td><strong>Total liabilities and net assets:</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Net unrealized holding gain on securities (Note 7)</td>
<td>17,943</td>
<td>12,731</td>
<td>190,781</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Deferred loss on hedges (Note 16(c)):</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Deferred loss on hedges (Note 16(c))</td>
<td>(6)</td>
<td>(21)</td>
<td>(64)</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Translation adjustments:</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Translation adjustments</td>
<td>(1,223)</td>
<td>(9,191)</td>
<td>(13,004)</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Total accumulated other comprehensive income:</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total accumulated other comprehensive income</td>
<td>18,712</td>
<td>3,518</td>
<td>177,693</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Stock acquisition rights:</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Stock acquisition rights</td>
<td>50</td>
<td>110</td>
<td>532</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Minority interests:</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Minority interests</td>
<td>9,250</td>
<td>7,907</td>
<td>98,352</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Total net assets:</strong></td>
<td>237,806</td>
<td>212,744</td>
<td>2,528,506</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Total liabilities and net assets:</strong></td>
<td>¥486,747</td>
<td>¥450,842</td>
<td>¥5,175,407</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**See accompanying notes to consolidated financial statements.**
### Consolidated Statements of Income

Nagase & Co., Ltd. and Consolidated Subsidiaries (Years ended March 31, 2013 and 2012)

<table>
<thead>
<tr>
<th>Million of yen</th>
<th>Thousands of U.S. dollars</th>
<th>Note 1</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Net sales (Note 23)</strong></td>
<td>¥666,272</td>
<td>¥10,300</td>
</tr>
<tr>
<td><strong>Cost of sales (Note 18)</strong></td>
<td>¥583,689</td>
<td>¥9,699</td>
</tr>
<tr>
<td><strong>Gross profit</strong></td>
<td>¥82,583</td>
<td>¥7,606</td>
</tr>
<tr>
<td><strong>Selling, general and administrative expenses (Note 18)</strong></td>
<td>¥67,004</td>
<td>¥9,720</td>
</tr>
<tr>
<td><strong>Operating income (Note 23)</strong></td>
<td>¥15,578</td>
<td>¥7,976</td>
</tr>
</tbody>
</table>

#### Other income (expenses):

- **Interest and dividend income**: ¥1,416, ¥1,386, ¥1,506
- **Deferred income**: ¥811, ¥795, ¥917
- **Net unrealized holding gain (loss)**: ¥(319), ¥(359), ¥(372)
- **Minority shareholders' comprehensive income**: ¥—, ¥—, ¥(718)
- **Other**: ¥707, ¥1,388, ¥7,517

**Income before income taxes and minority interests**: ¥19,458, ¥16,356, ¥20,800

**Income taxes (Note 12):**
- **Current**: ¥6,417, ¥6,980, ¥6,200
- **Deferred**: ¥(2,004), ¥1,118, ¥(21,306)

**Income before minority interests**: ¥15,044, ¥9,438, ¥10,957

**Minority interests**: ¥852, ¥967, ¥9,165

**Net income**: ¥8,570, ¥8,570, ¥8,570

See accompanying notes to consolidated financial statements.

### Consolidated Statements of Comprehensive Income

Nagase & Co., Ltd. and Consolidated Subsidiaries (Years ended March 31, 2013 and 2012)

<table>
<thead>
<tr>
<th>Million of yen</th>
<th>Thousands of U.S. dollars</th>
<th>Note 10</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Income before minority interests</strong></td>
<td>¥15,044</td>
<td>¥103,126</td>
</tr>
<tr>
<td><strong>Other comprehensive income (loss)</strong>:</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td><strong>Net unrealized holding gain (loss)</strong> on securities</td>
<td>¥2,117,597</td>
</tr>
<tr>
<td></td>
<td><strong>Deferred gain (loss) on hedges</strong></td>
<td>¥7,624</td>
</tr>
<tr>
<td></td>
<td><strong>Translation adjustments</strong></td>
<td>¥6,475</td>
</tr>
<tr>
<td></td>
<td><strong>Share of other comprehensive income (loss) of affiliates accounted for by the equity method</strong></td>
<td>¥6,518</td>
</tr>
<tr>
<td></td>
<td><strong>Comprehensive income</strong></td>
<td>¥12,176</td>
</tr>
</tbody>
</table>

**Comprehensive income attributable to:**
- **Shareholders of the Company**: ¥925,974, ¥925,974, ¥925,974
- **Minority interests**: ¥1,548, ¥764, ¥1,659

See accompanying notes to consolidated financial statements.

### Consolidated Statements of Changes in Net Assets

Nagase & Co., Ltd. and Consolidated Subsidiaries (Years ended March 31, 2013 and 2012)

<table>
<thead>
<tr>
<th>Million of yen</th>
<th>Thousands of U.S. dollars</th>
<th>Note 1</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Retained earnings at April 1, 2011</strong></td>
<td>¥9,630</td>
<td>¥103,126</td>
</tr>
<tr>
<td><strong>Net income for the year</strong></td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td><strong>Gain on sales of treasury stock</strong></td>
<td>¥—</td>
<td>—</td>
</tr>
<tr>
<td><strong>Cash dividends</strong></td>
<td>¥—</td>
<td>—</td>
</tr>
</tbody>
</table>
| **Purc...
Consolidated Statements of Cash Flows

Nagase & Co., Ltd. and Consolidated Subsidiaries (Years ended March 31, 2013 and 2012)

Operating activities:

Income before income taxes and minority interests 16,536 19,458

Adjustments to reconcile income before income taxes and minority interests to net cash provided by operating activities:

Depreciation and amortization other than amortization of goodwill 1,724 1,612

Amortization of goodwill 745 772

Loss on impairment of fixed assets 1,896 465

Provision for accrued retirement benefits for employees, net of payments 285 974

Interest and dividend income (1,416) (1,286)

Interest expense 1,092 692

Exchange gain, net (1,692) (9)

Gain on sale of property, plant and equipment, net (3,259) (175) (34,602)

Gain on sales of investments in securities, net (800) (1,753) (5,090)

Loss on disposal of investments in securities 45 363

Changes in operating assets and liabilities:

Notes and accounts receivable 10,357 (10,120) 110,122

Inventories (1,460) (1,471) (15,042)

Notes and accounts payable (8,771) 6,712 (93,259)

Other, net (1,061) 111 (22,181)

Subtotal 24,249 13,689 268,206

Interest and dividends received 1,724 1,467 18,331

Income taxes paid (1,050) (617) (11,164)

Income taxes receivable (6,367) (929) (87,815)

Net cash provided by operating activities 18,576 9,890 197,512

Investing activities:

Purchases of property, plant and equipment (10,951) (11,215) (112,169)

Proceeds from sales of property, plant and equipment 3,335 48 34,397

Purchases of investments in securities (214) (914) (2,279)

Proceeds from sales of investments in securities 1,200 2,515 12,799

Proceeds from sales of investments in subsidiaries resulting in change in scope of consolidation 537

Net disbursement due to the acquisition of subsidiaries (62,774)

Purchases of investments in capital included in Other assets (446) (480) (8,169)

Increase in cash and cash equivalents resulting in Other current assets, net (800) (175) (4,049)

Purchases of intangible fixed assets included in Other assets (1,709) (1,425) (18,171)

Other, net (267) (161) (3,231)

Net cash used in investing activities (9,929) (9,086) (101,318)

Financing activities:

(Increase) decrease in short-term bank balances, net (16,273) 22,978 (173,025)

Proceeds from long-term bank loans 4,665 36,257 49,601

Repayments of long-term loans (11,564) (5,127) (122,956)

Proceeds from issuance of bonds and currency forward exchange contracts at the translation contract rates (29,580) 317,455

Purchase of treasury stock (1,649) (17) (15,733)

Cash dividends paid (3,186) (3,217) (33,907)

Cash dividends paid to minority shareholders (940) (487) (5,742)

Other, net (133) (130) (1,478)

Net cash provided/(used) by financing activities 1,164 56,361 12,376

Net increase/(decrease) in cash and cash equivalents 2,451 404 26,061

Increase/(decrease) in cash and cash equivalents resulting from changes in financial year-end of consolidated subsidiaries 3,721 39,064

Cash and cash equivalents at end of the year (Note 22) 945,216 1,026,517 3,401,149

Notes to Consolidated Financial Statements

Nagase & Co., Ltd. and Consolidated Subsidiaries (March 31, 2013)

1. BASIS OF PREPARATION

The accompanying consolidated financial statements of Nagase & Co., Ltd. (the “Company”) and consolidated subsidiaries are prepared on the basis of accounting principles generally accepted in Japan, which differ in certain respects as to the applicable laws and standards of International Financial Reporting Standards, and have been complied from the consolidated financial statements prepared by the Company as required by the Financial Instruments and Exchange Act of Japan.

In preparing the accompanying consolidated financial statements, certain reclassifications and rearrangements have been made to the consolidated financial statements issued domestically in order to present them in a format which is more familiar to readers outside Japan.

In addition, certain reclassifications of previously stated assets have been made to conform the consolidated financial statements for the year ended March 31, 2012 to the 2013 presentation. Such reclassifications had no effect on consolidated net assets.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Principles of Consolidation

The accompanying consolidated financial statements include the accounts of the Company and significant companies that the Company controls directly or indirectly. Significant affiliates over which the Company exercises significant influence in terms of their operating and financial policies have been accounted for by the equity method. All significant inter-company transactions have been eliminated in consolidated financial statements.

Unconsolidated inter-company gains among the Company and the consolidated subsidiaries have been entirely eliminated and the portion attributable to minority interests has been charged to minority interests.

(b) Inventories

Inventories are stated at the lower of cost or net realizable value, in the absence of which, at cost.

(c) Foreign Currency Translation

All monetary assets and liabilities denominated in foreign currencies are translated at the rates of exchange in effect at the reporting date. Adjustments resulting from translating financial statements or balances sheets.

(d) Cash and Cash Equivalents

Cash and cash equivalents include cash on hand and in banks and other highly liquid investments with maturities of three months or less when purchased.

(e) Intangible Assets (except for leased assets)

Intangible assets are amortized over a period not exceeding 20 years on a straight-line basis. When immaterial, goodwill is charged to income as incurred.

(f) Goodwill

Goodwill is amortized over a period not exceeding 20 years on a straight-line basis. When immaterial, goodwill is charged to income as incurred.

(g) Intangible Assets (except for leased assets)

Intangible assets are amortized over a period not exceeding 20 years on a straight-line basis. When immaterial, goodwill is charged to income as incurred.

(h) Goodwill

Goodwill is amortized over a period not exceeding 20 years on a straight-line basis. When immaterial, goodwill is charged to income as incurred.

(i) Financial Instruments

All monetary assets and liabilities denominated in foreign currencies are translated into yen at the rates of exchange in effect at the reporting date. Adjustments resulting from translating financial statements or balances sheets.

(j) Allowance for Doubtful Accounts

The Company and its consolidated subsidiaries provide allowances for doubtful accounts based on their historical experience of bad debts on ordinary receivables plus an additional estimate of probable specific doubtful accounts from customers experiencing financial difficulties and other related factors.
exciting financial difficulties.

(6) Income Taxes
Income taxes are calculated based on taxable incomes and charged to income on an accrual basis at the estimated tax rates. Income taxes and liabilities are computed based on the temporary differences between the financial reporting and the tax bases of the assets and liabilities that will result in taxable or deductible amounts in the future. Computation of deferred tax assets and liabilities are based on enacted tax laws.

(a) Accrued Bonuses for Employees
Accrued bonuses for employees are provided based on the estimated amount of bonuses to be paid to employees in the following fiscal year which has been approved in the current fiscal year.

(b) Accrued Bonuses for Directors
Accrued bonuses for directors are provided based on the estimated amount of bonuses to be paid to directors in the following fiscal year which has been approved in the current fiscal year.

(7) Retirement Benefits
Accrued retirement benefits for employees are provided based on the amount of the projected benefit obligation reduced by the pension plan assets at fair value at the end of the year. An increase or decrease in projected benefit obligation incurred in the year following the year in which such gain or loss is recognized for financial reporting purposes. Prior service cost is charged to income in the year in which such cost is recognized for financial reporting purposes.

(8) Derivatives and Hedging Activities
The Company and its consolidated subsidiaries utilize derivative financial instruments principally in order to manage the risks arising from foreign currency exchange rates and interest rates on borrowings. The Company has established a control environment that includes policies and procedures for risk assessment in accordance with the Company’s rules for foreign exchange transactions and forward rates swap transactions.

3. ACCOUNTING CHANGES

(a) Change in Accounting Principles that are Difficult to Distinquish from Changes in Accounting Estimates
Effective April 1, 2012, the Company and its domestic consolidated subsidiaries have changed their depreciation method for property, plant and equipment, except for building assets acquired on or subsequent to April 1, 1988, to the straight-line method. Previously, the declining balance method had been principally applied by the Company and its domestic consolidated subsidiaries, and the straight-line method had been applied principally by the Company’s overseas subsidiaries.

Under the “CHANGE” 11 medium term business plan (the year ended March 31, 2013 to the year ended March 31, 2012), the Company and its consolidated subsidiaries substituted for the “Groups” had been engaged in building stronger research, development, and manufacturing functions. In addition, the current “CHANGE”2014” plan for the year ended March 31, 2013 to the year ending March 31, 2012, keeps the Group’s attention focused on these same areas, while calling for increased investment and capital investment.

With increased capital investment, greater investment in group manufacturing companies, and full-scale operations of manufacturing facilities from the year ended March 31, 2013, the Company has reevaluated its depreciation policies for property, plant and equipment. As a result, the Company concluded that adopting the straight-line method to allocate depreciation expense evenly over the estimated useful lives of property, plant and equipment would more appropriately reflect the actual characteristics of the Group’s business considering that manufacturing facilities and equipment will likely be used consistently and reliably over the estimated useful lives.

As a result of this change, depreciation expense decreased by ¥2,318 million (¥22,773 thousand), operating income increased by ¥1,960 million (¥20,159 thousand), and income before income taxes and minority interests increased by ¥2,079 million (¥22,085 thousand) for the year ended March 31, 2013, from the corresponding amounts which would have been recorded under the previous depreciation method.

(b) Change in Accounting Estimates
Effective April 1, 2012, the Company and certain consolidated subsidiaries have changed the estimated useful lives of certain items of property, plant and equipment. As a result of this change, depreciation expense increased by ¥90 million (¥999 thousand), and operating income and income before income taxes and minority interests increased by ¥92 million (¥1,005 thousand) for the year ended March 31, 2013, from the corresponding amounts which would have been recorded under the previous estimated useful lives.

The Company and its consolidated subsidiaries group fixed assets for business use principally based on its business management segment. They also group fixed assets to be disposed of and idle assets at cost other than their original purpose. Value in use for the measurement of recoverable amounts is based on the present value of the future cash flow with the discount rate of 1.239%.

Due to decreasing land prices, the carrying values of idle assets were reduced to their recoverable amounts and a loss on impairment was recognized. The recoverable amounts were measured at net selling value. Not selling value for assets to be disposed of was net of cost since it is difficult to sell them or use them for any purpose other than their original purpose. Value in use for the measurement of recoverable amounts is based on the present value of the future cash flow with the discount rate of 2.350%.

Due to declining land prices, the carrying value of idle assets were reduced to their recoverable amounts and a loss on impairment was recognized. The recoverable amounts were measured at net selling value. Net selling value for assets to be disposed of was net of cost since it is difficult to sell them or use them for any purpose other than their original purpose.

The Company and its consolidated subsidiaries group fixed assets for business use principally based on its business management segment. They also group fixed assets to be disposed of and idle assets at cost other than their original purpose. Value in use for the measurement of recoverable amounts is based on the present value of the future cash flow with the discount rate of 2.350%.

Due to decreasing land prices, the carrying value of idle assets were reduced to their recoverable amounts and a loss on impairment was recognized. The recoverable amounts were measured at net selling value. Net selling value for assets to be disposed of was net of cost since it is difficult to sell them or use them for any purpose other than their original purpose. Value in use for the measurement of recoverable amounts is based on the present
7. INVESTMENTS IN SECURITIES

(a) Marketable securities classified as other securities at March 31, 2013 and 2012 are summarized as follows:

| Securities whose carrying value exceeds their acquisition cost: | |  |
|---|---|
| Equity securities: | |  |
| Carrying value: | |  |
| ¥43,727 | ¥16,433 | ¥27,293 |
| Unrealized gain: | |  |
| ¥33,237 | ¥13,043 | ¥20,194 |
| Total: | |  |
| ¥44,923 | ¥17,802 | ¥27,121 |

(b) Securities classified as other securities for which market value was not determinable at March 31, 2013 and 2012 are summarized as follows:

| Securities whose carrying value exceeds their acquisition cost: | |  |
|---|---|
| Equity securities: | |  |
| Carrying value: | |  |
| ¥4,176 | ¥4,112 | $44,402 |

(c) Proceeds from sales of, and gross realized gain and loss on, other securities for the years ended March 31, 2013 and 2012 are summarized as follows:

| Proceeds from sales: | |  |
|---|---|
| ¥1,192 | ¥2,737 | ¥12,749 |

8. SHORT-TERM LOANS, BONDS, LONG-TERM LOANS AND FINANCE LEASE OBLIGATIONS

Short-term loans at March 31, 2013 and 2012, principally represented notes and loans in the form of deeds at weighted average annual interest rates of 1.87% and 1.59% per annum, respectively.

Long-term loans, bonds and finance lease obligations at March 31, 2013 and 2012 consisted of the following:

<table>
<thead>
<tr>
<th></th>
<th>Millions of yen</th>
<th>Thousands of U.S. dollars</th>
</tr>
</thead>
<tbody>
<tr>
<td>Unsecured loans from banks and insurance companies, payable in Yen, U.S. dollar, Euro, Malaysian ringgit and RMB, due through 2019, at rates from 0.44% to 6.75%</td>
<td>¥43,022</td>
<td>$457,438</td>
</tr>
<tr>
<td>Unsecured bonds in Yen, due 2015, at a rate of 0.30%</td>
<td>10,000</td>
<td>106,326</td>
</tr>
<tr>
<td>Unsecured bonds in Yen, due 2017, at a rate of 0.44%</td>
<td>10,000</td>
<td>106,326</td>
</tr>
<tr>
<td>Unsecured bonds in Yen, due 2019, at a rate of 0.75%</td>
<td>10,000</td>
<td>106,326</td>
</tr>
<tr>
<td>Lease obligations</td>
<td>341</td>
<td>3,626</td>
</tr>
</tbody>
</table>

The aggregate annual maturities of bonds, long-term loans and finance lease obligations subsequent to March 31, 2013 are summarized as follows:

<table>
<thead>
<tr>
<th>Year ending March 31,</th>
<th>Millions of yen</th>
<th>Thousands of U.S. dollars</th>
</tr>
</thead>
<tbody>
<tr>
<td>2014</td>
<td>¥10,473</td>
<td>$111,356</td>
</tr>
<tr>
<td>2015</td>
<td>6,335</td>
<td>67,358</td>
</tr>
<tr>
<td>2016</td>
<td>15,777</td>
<td>167,751</td>
</tr>
<tr>
<td>2017</td>
<td>8,378</td>
<td>89,080</td>
</tr>
<tr>
<td>2018</td>
<td>12,256</td>
<td>130,314</td>
</tr>
<tr>
<td>2019 and thereafter</td>
<td>20,142</td>
<td>214,163</td>
</tr>
<tr>
<td>Total</td>
<td>¥73,364</td>
<td>$780,053</td>
</tr>
</tbody>
</table>

9. PLEDGED ASSETS

At March 31, 2013, a consolidated subsidiary's assets pledged as collateral for its accounts payable were as follows:

<table>
<thead>
<tr>
<th></th>
<th>Millions of yen</th>
<th>Thousands of U.S. dollars</th>
</tr>
</thead>
<tbody>
<tr>
<td>Land</td>
<td>¥860</td>
<td>$9,954</td>
</tr>
<tr>
<td>Total</td>
<td>¥860</td>
<td>$9,954</td>
</tr>
</tbody>
</table>
10. OTHER COMPREHENSIVE INCOME (LOSS)

Reclassification adjustments and tax effects allocated to each component of other comprehensive income (loss) for the years ended March 31, 2013 and 2012 were as follows:

<table>
<thead>
<tr>
<th></th>
<th>Thousands of</th>
<th>Millions of yen</th>
<th>U.S. dollars</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2013</td>
<td>2012</td>
<td>2013</td>
</tr>
<tr>
<td>Amount arising during the year</td>
<td>¥ 8,420</td>
<td>¥ (1,399)</td>
<td>$89,527</td>
</tr>
<tr>
<td>Statutory tax rates</td>
<td>38.0%</td>
<td>40.7%</td>
<td></td>
</tr>
<tr>
<td>Reclassification adjustments for gains and losses realized in the statement of income</td>
<td>(211)</td>
<td>(271)</td>
<td>(2,148)</td>
</tr>
<tr>
<td>Amount arising during the year</td>
<td>24</td>
<td>(271)</td>
<td>255</td>
</tr>
<tr>
<td>Tax effect</td>
<td>2</td>
<td>7</td>
<td>(280)</td>
</tr>
<tr>
<td>Unrecognized gain on currency translation adjustments</td>
<td>15</td>
<td>11</td>
<td>150</td>
</tr>
<tr>
<td>Reclassification adjustments for gains and losses realized in the statement of income</td>
<td>(211)</td>
<td>(271)</td>
<td>(2,148)</td>
</tr>
<tr>
<td>Amount arising during the year</td>
<td>¥ 1,363</td>
<td>¥ 1,047</td>
<td>$13,036</td>
</tr>
<tr>
<td>Other adjustment</td>
<td>729</td>
<td>590</td>
<td>728</td>
</tr>
<tr>
<td>Undistributed earnings of overseas subsidiaries</td>
<td>(2,155)</td>
<td>(1,104)</td>
<td>(1,962)</td>
</tr>
<tr>
<td>Repatent capital gain on property</td>
<td>(1,974)</td>
<td>(1,131)</td>
<td>(1,350)</td>
</tr>
<tr>
<td>Retained earnings reclassified in the consolidated balance sheet</td>
<td>(16,280)</td>
<td>(10,207)</td>
<td>(19,437)</td>
</tr>
<tr>
<td>Total retirement benefit expenses of the Company and its consolidated subsidiaries for the years ended March 31, 2013 and 2012</td>
<td>¥ 2,442</td>
<td>¥ 2,030</td>
<td>$25,965</td>
</tr>
<tr>
<td>Service cost</td>
<td>¥ 1,396</td>
<td>¥ 1,047</td>
<td>$13,036</td>
</tr>
<tr>
<td>Interest cost</td>
<td>513</td>
<td>444</td>
<td>5,050</td>
</tr>
<tr>
<td>Expected return on plan assets</td>
<td>(322)</td>
<td>(265)</td>
<td>(1,242)</td>
</tr>
<tr>
<td>Amortization of actual loss</td>
<td>694</td>
<td>674</td>
<td>7,379</td>
</tr>
<tr>
<td>Contributions to defined contribution pension plans</td>
<td>237</td>
<td>196</td>
<td>2,520</td>
</tr>
<tr>
<td>Amortization of plan service cost</td>
<td>82</td>
<td>89</td>
<td>978</td>
</tr>
<tr>
<td>Retained earnings reclassified in the consolidated balance sheet</td>
<td>(16,280)</td>
<td>(10,207)</td>
<td>(19,437)</td>
</tr>
<tr>
<td>Net deferred tax liabilities</td>
<td>(2,740)</td>
<td>(2,127)</td>
<td>$28,103</td>
</tr>
</tbody>
</table>

12. INCOME TAXES

The effective tax rates reflected in the accompanying consolidated statements of income for the years ended March 31, 2013 and 2012 other than the statutory tax rates for the following reasons:

- Expenses not deductible for income tax purposes: 2.4%
- Dividends and other income deductible for income tax purposes: (11.0)%
- Net adjustment resulting from elimination of dividend income upon consolidation: 16.6%
- Different tax rates applied at overseas subsidiaries: (8.7)%
- Amortization of goodwill: 3.2%
- Valuation allowance: 4.4%
- Other: (1.0)%

Deferred tax liabilities as a percentage of income before income taxes for the years ended March 31, 2013 and 2012 are summarized as follows:

<table>
<thead>
<tr>
<th></th>
<th>Millions of yen</th>
<th>Thousands of U.S. dollars</th>
</tr>
</thead>
<tbody>
<tr>
<td>Deferred tax assets</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Accrued bonuses for employees</td>
<td>¥ 1,363</td>
<td>$14,402</td>
</tr>
<tr>
<td>Allowance for doubtful accounts</td>
<td>506</td>
<td>6,256</td>
</tr>
<tr>
<td>Unrealized gain on inventories</td>
<td>522</td>
<td>5,550</td>
</tr>
<tr>
<td>Accrued income taxes</td>
<td>237</td>
<td>2,763</td>
</tr>
<tr>
<td>Tax loss carryforwards</td>
<td>16,150</td>
<td>163,629</td>
</tr>
<tr>
<td>Accrued retirement benefits for employees</td>
<td>3,629</td>
<td>38,002</td>
</tr>
<tr>
<td>Investments in securities</td>
<td>1,816</td>
<td>19,130</td>
</tr>
<tr>
<td>Loss or impairment of fixed assets</td>
<td>601</td>
<td>6,300</td>
</tr>
<tr>
<td>Other</td>
<td>2,994</td>
<td>31,046</td>
</tr>
<tr>
<td>Gross deferred tax assets</td>
<td>29,032</td>
<td>306,001</td>
</tr>
<tr>
<td>Valuation allowance</td>
<td>(1,739)</td>
<td>(18,252)</td>
</tr>
<tr>
<td>Total deferred tax assets</td>
<td>¥17,293</td>
<td>$183,252</td>
</tr>
</tbody>
</table>

Deferred tax liabilities as a percentage of income before income taxes for the years ended March 31, 2013 and 2012 are summarized as follows:

<table>
<thead>
<tr>
<th></th>
<th>Millions of yen</th>
<th>Thousands of U.S. dollars</th>
</tr>
</thead>
<tbody>
<tr>
<td>Deferred tax liabilities</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Technology-based assets</td>
<td>(278)</td>
<td>(2,945)</td>
</tr>
<tr>
<td>Allowance for special depreciation</td>
<td>(108)</td>
<td>(1,188)</td>
</tr>
<tr>
<td>Undistributed earnings of overseas subsidiaries</td>
<td>(442)</td>
<td>(4,706)</td>
</tr>
<tr>
<td>Realization of debt</td>
<td>(208)</td>
<td>(2,677)</td>
</tr>
<tr>
<td>Net unrealized holding gain on securities</td>
<td>(9,196)</td>
<td>(57,480)</td>
</tr>
<tr>
<td>Other</td>
<td>(127)</td>
<td>(1,356)</td>
</tr>
<tr>
<td>Total deferred tax liabilities</td>
<td>(5,750)</td>
<td>$57,834</td>
</tr>
</tbody>
</table>
13. SHAREHOLDERS’ EQUITY

The Corporation Law of Japan (the “Law”) provides that an amount equal to 10% of the amount to be disbursed as distributions of capital surplus (other than the capital reserve) and retained earnings (other than the legal reserve) be transferred to the capital reserve and the legal reserve, respectively, until the sum of the capital reserve and the legal reserve equals 25% of the capital stock account.

This distribution can be made at any time by resolution of the shareholders, or by the Board of Directors if certain conditions are met. The Company’s legal reserve included in retained earnings at March 31, 2013 and 2012 amounted to ¥2,424 million ($25,774 thousand).

Under the Law, upon the issuance and sale of new shares of common stock, the entire amount of the proceeds is required to be accounted for as common stock, although a company may, by resolution of the Board of Directors, account for an amount not exceeding 5% of the proceeds of the sale of new shares as additional paid-in-capital.

Movements in common stock during the years ended March 31, 2013 and 2012 are summarized as follows:

<table>
<thead>
<tr>
<th>Year Ended</th>
<th>April 1, 2012</th>
<th>Increase</th>
<th>Decrease</th>
<th>March 31, 2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>2013</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2012</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

14. TREASURY STOCK

Movements in treasury stock during the years ended March 31, 2013 and 2012 are summarized as follows:

<table>
<thead>
<tr>
<th>Year Ended</th>
<th>April 1, 2012</th>
<th>Increase</th>
<th>Decrease</th>
<th>March 31, 2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>2013</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Treasury stock</td>
<td>9,893,787</td>
<td>1,800,372</td>
<td>350</td>
<td>11,693,809</td>
</tr>
<tr>
<td>2012</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Treasury stock</td>
<td>9,893,808</td>
<td>210</td>
<td>231</td>
<td>9,893,787</td>
</tr>
</tbody>
</table>

15. SHARE-BASED COMPENSATION

At March 31, 2013, the Company had one stock option plan: the 2008 stock option plan. The 2008 stock option plan was approved by shareholders of the Company on June 26, 2008. The 2008 plan provides for granting options to purchase 421,000 shares of common stock to directors, executive officers, technology officers and certain key employees of the Company and directors of certain subsidiaries.

The exercise price was ¥1,114 (¥11.84) per share at March 31, 2013. This exercise price is subject to adjustment in certain circumstances. The options became exercisable on August 1, 2010 and are scheduled to expire on July 31, 2013.

The following table sets forth the number of shares of common stock underlying all options outstanding, exercisable and in the money as of March 31, 2013:

<table>
<thead>
<tr>
<th>Option Type</th>
<th>Number of Shares</th>
</tr>
</thead>
<tbody>
<tr>
<td>Outstanding at March 31, 2011</td>
<td>414,000</td>
</tr>
<tr>
<td>Granted</td>
<td>—</td>
</tr>
<tr>
<td>Expired</td>
<td>—</td>
</tr>
</tbody>
</table>

16. FINANCIAL INSTRUMENTS

(a) Policy for Financial Instruments

The Company and its consolidated subsidiaries invest excess funds in highly secure and short-term financial assets, whose principal is guaranteed to be recoverable. With regard to financing, short-term working funds are raised by bank borrowings or issuance of commercial paper and the Company policy is to procure long-term funds with bank borrowings and through the issuance of bonds. The purpose of entering into derivative transactions is to mitigate the foreign currency exchange rate fluctuation risk arising from the receivables and payables denominated in foreign currencies, and fluctuation risk related to interest rates with respect to loans, debts, and derivative transactions are not carried out for speculative purposes.

(b) Types of Financial Instruments, Related Risk and Risk Management for Financial Instruments

Receivables such as trade sales and accounts receivable are exposed to customers’ credit risk. With regard to this risk, the Company manages the settlement date of each transaction.

In the policy with respect to foreign currency denominated derivatives, foreign currency forward exchange contracts are used to hedge the risks related to the fluctuations in foreign currency denominated debt obligations. In addition, foreign currency forward exchange contracts are used to hedge the risk related to fluctuations in the rates of foreign currencies denominated debt obligations.

(c) Market Value of Financial Instruments

Carrying amount, estimated fair value and difference as of March 31, 2013 and 2012 are as follows. Financial instruments for which fair value is determined using observable inputs are not included.

<table>
<thead>
<tr>
<th>Instrument</th>
<th>Carrying Amount</th>
<th>Estimated Fair Value</th>
<th>Difference</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash and time deposits</td>
<td>¥ 46,693</td>
<td>¥ 46,693</td>
<td>¥ 0</td>
</tr>
<tr>
<td>Notes and accounts receivable</td>
<td>196,001</td>
<td>196,001</td>
<td>(0)</td>
</tr>
<tr>
<td>Investments in securities</td>
<td>44,923</td>
<td>44,923</td>
<td>(0)</td>
</tr>
<tr>
<td>Short-term loans</td>
<td>25,061</td>
<td>25,061</td>
<td>(0)</td>
</tr>
<tr>
<td>Long-term loans</td>
<td>32,614</td>
<td>32,994</td>
<td>380</td>
</tr>
<tr>
<td>Bonds</td>
<td>30,000</td>
<td>30,266</td>
<td>266</td>
</tr>
<tr>
<td>Total assets</td>
<td>¥ 287,618</td>
<td>¥ 287,618</td>
<td>(0)</td>
</tr>
<tr>
<td>Notes and accounts payable</td>
<td>119,001</td>
<td>119,001</td>
<td>(0)</td>
</tr>
<tr>
<td>Other payables</td>
<td>44,923</td>
<td>44,923</td>
<td>(0)</td>
</tr>
<tr>
<td>Total liabilities</td>
<td>¥ 206,671</td>
<td>¥ 206,671</td>
<td>(0)</td>
</tr>
<tr>
<td>Derivatives</td>
<td>32,614</td>
<td>32,994</td>
<td>380</td>
</tr>
<tr>
<td>Total derivatives</td>
<td>32,614</td>
<td>32,994</td>
<td>380</td>
</tr>
<tr>
<td>Total liabilities and derivatives</td>
<td>¥ 239,285</td>
<td>¥ 239,285</td>
<td>(0)</td>
</tr>
</tbody>
</table>
The carrying value of financial instruments without determinable market value at March 31, 2013 and 2012 is presented as follows:

<table>
<thead>
<tr>
<th></th>
<th>Millions of yen</th>
<th></th>
<th>Millions of yen</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2013</td>
<td>2012</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Thousands of U.S. dollars</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Unlisted equity securities</td>
<td>¥ 4,176</td>
<td>¥ 4,112</td>
<td>$ 44,402</td>
</tr>
<tr>
<td>Investments in unconsolidated subsidiaries and affiliates</td>
<td>¥ 3,379</td>
<td>¥ 3,227</td>
<td>$ 38,318</td>
</tr>
<tr>
<td>Total</td>
<td>¥ 11,419</td>
<td>¥ 11,349</td>
<td>$ 127,028</td>
</tr>
</tbody>
</table>

For the above securities, there is no market price and it is difficult to determine the fair value. Therefore, the fair value of the securities is not included in investments in securities in the summary table of financial instruments.

The redemption schedule for time deposits and notes and accounts receivable with maturity dates at March 31, 2013 is summarized as follows:

<table>
<thead>
<tr>
<th></th>
<th>Millions of yen</th>
<th></th>
<th>Thousands of U.S. dollars</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2013</td>
<td>2012</td>
<td></td>
</tr>
<tr>
<td></td>
<td>¥ 11,292</td>
<td>¥ (385)</td>
<td>$ (385)</td>
</tr>
</tbody>
</table>

The calculation methods of fair values of financial instruments and securities and derivative transactions are as follows:

### Cash and time deposits
Since these items are settled in a short period of time, their carrying amount approximates the fair value.

### Notes and accounts receivable
The fair value of trade notes and accounts receivable is estimated as the present value of future cash flows of each receivable classified by settlement date and discounted at the market rate of interest at the reporting date.

### Notes and accounts payable
The fair value of trade notes and accounts payable is estimated as the present value of future cash flows of each payable classified by settlement date and discounted at the market rate of interest at the reporting date.

### Investments in securities
The fair value of investment in securities is based on quoted market prices. Please refer to Note 7 regarding information on securities by holding objective.

### Derivatives
The fair value of derivatives is based on the market price. Derivative transactions Please refer to Note 17.

### Borrowing of funds

The open currency-related derivatives positions not designated as hedging instruments at March 31, 2013 and 2012 are as follows:

<table>
<thead>
<tr>
<th></th>
<th>Millions of yen</th>
<th></th>
<th>Thousands of U.S. dollars</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2013</td>
<td>2012</td>
<td></td>
</tr>
<tr>
<td></td>
<td>¥ (4,200)</td>
<td>¥ (4,200)</td>
<td>$ (4,200)</td>
</tr>
</tbody>
</table>

The open currency-related derivatives positions not designated as hedging instruments at March 31, 2013 and 2012 are as follows:

<table>
<thead>
<tr>
<th></th>
<th>Millions of yen</th>
<th></th>
<th>Thousands of U.S. dollars</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2013</td>
<td>2012</td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>¥ (4,200)</td>
<td>¥ (4,200)</td>
<td>$ (4,200)</td>
</tr>
</tbody>
</table>

The fair value of long-term loans with fixed interest rates is based on the present value of the total of principal and interest discounted by the interest rate to be applied assuming new loans under similar conditions to existing loans are made. Floating interest rates for long-term loans are hedged by interest-rate swap agreements and accounted for as loans with fixed interest rates. The fair value of long-term loans is reasonably based on the present value of the total of principal and interest and net cash flows of swap agreements discounted by the interest rates, estimated reasonably, applicable to loans under similar circumstances.

Bonds
The fair value of bonds is based on the market price.

Derivative transactions Please refer to Note 17.

<table>
<thead>
<tr>
<th></th>
<th>Millions of yen</th>
<th></th>
<th>Thousands of U.S. dollars</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2013</td>
<td>2012</td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>¥ 11,292</td>
<td>¥ (385)</td>
<td>$ (385)</td>
</tr>
</tbody>
</table>
### Over-the-counter transactions

#### Foreign currency forward exchange contracts:

**Selling:**
- U.S. dollars: ¥ 2,652
- Yen: 1,150
- Euro: 39
- Others: 0

**Buying:**
- U.S. dollars: 966
- Yen: 1,150
- Euro: 38
- Others: 2

**Total:** ¥ 6,150

#### Fair value

Fair value is based on the prices obtained from financial institutions.

### Over-the-counter transactions

#### Foreign currency forward exchange contracts:

**Selling:**
- U.S. dollars: $67,964
- Yen: 510
- Euro: 8,846
- RMB: 1,850
- Others: 883

**Buying:**
- U.S. dollars: 21,978
- Yen: 17,554
- Euro: 447
- Others: 11

**Total:** $120,064

#### Estimated fair value

Fair value is based on the prices obtained from financial institutions.
The open interest-related derivatives positions designated as hedging instruments at March 31, 2013 and 2012 are as follows.

### Swap rates applied to underlying debt

<table>
<thead>
<tr>
<th>Type of derivative transaction</th>
<th>Contract value (notional principal amount)</th>
<th>Contract value (arithmetic average amount over one year)</th>
<th>Estimated fair value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Interest-rate swap transactions (pay-fixed, receive-variable)</td>
<td>Long-term loans</td>
<td>¥35,840</td>
<td>¥26,580</td>
</tr>
</tbody>
</table>

### Interest-rate swap transactions (pay-fixed, receive-variable)

<table>
<thead>
<tr>
<th>Hedged item</th>
<th>Long-term loans</th>
<th>¥35,840</th>
<th>¥26,580</th>
<th>(*)</th>
</tr>
</thead>
</table>

(源) Since interest-rate swap agreements are accounted for as if the interest rates applied to the swaps had originally applied to the underlying long-term loans, their fair values were included in estimated fair value of long-term loans.

### 10. RESEARCH AND DEVELOPMENT COSTS

Research and development costs included in selling, general and administrative expenses and manufacturing costs for the years ended March 31, 2013 and 2012 totaled ¥4,610 million ($49,016 thousand) and ¥3,372 million, respectively.

### 19. LEASES

#### (a) Finance leases

Finance lease transactions commencing on or before March 31, 2008 that do not transfer ownership to the lessee are accounted for in the same manner as operating leases. However, the related disclosures as of and for the years ended March 31, 2013 and 2012 were omitted because these amounts were immaterial.

#### (b) Operating leases

Future minimum lease payments subsequent to March 31, 2013 under operating leases are as follows:

<table>
<thead>
<tr>
<th>Year ending March 31</th>
<th>Millions of yen</th>
<th>Thousands of U.S. dollars</th>
</tr>
</thead>
<tbody>
<tr>
<td>2014</td>
<td>¥208,000</td>
<td>$22,684</td>
</tr>
<tr>
<td>2015 and thereafter</td>
<td>¥255,767</td>
<td>$27,713</td>
</tr>
<tr>
<td>Total</td>
<td>¥463,767</td>
<td>$50,407</td>
</tr>
</tbody>
</table>

### 20. CONTINGENT LIABILITIES

At March 31, 2013, the Company and its consolidated subsidiaries were contingently liable as guarantors of loans of customers and other in the aggregate amount of ¥809 million ($8,602 thousand) and as guarantors of housing loans of employees in the aggregate amount of ¥9 million ($96 thousand).

In addition, at March 31, 2013, the Company and its consolidated subsidiaries had contingent liabilities arising from notes discounted with banks and notes endorsed for a total amount of ¥304 million ($3,232 thousand).

### 21. AMOUNTS PER SHARE

Amounts per share at March 31, 2013 and 2012 and for the years then ended are as follows:

<table>
<thead>
<tr>
<th></th>
<th>2013</th>
<th>2012</th>
<th>U.S. dollars</th>
</tr>
</thead>
<tbody>
<tr>
<td>Basic</td>
<td>¥111.31</td>
<td>¥66.69</td>
<td>$1.18</td>
</tr>
<tr>
<td>Diluted</td>
<td>—</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Net assets</td>
<td>1,803.31</td>
<td>1,592.87</td>
<td>19.17</td>
</tr>
<tr>
<td>Cash dividends applicable to the year</td>
<td>25.00</td>
<td>24.00</td>
<td>0.28</td>
</tr>
</tbody>
</table>

Basic net income per share has been computed based on the net income available to the shareholders of common stock and the weighted-average number of shares of common stock outstanding during the year.

Diluted net income per share for the years ended March 31, 2013 and 2012 have been presented because its potentially dilutive shares of common stock were outstanding.

The amounts per share of net assets have been computed based on the number of shares of common stock outstanding at the year end.

Cash dividends per share represent the cash dividends proposed by the Board of Directors as applicable to the respective years together with the interim cash dividends paid.

The financial data used in the computation of basic net income per share for the years ended March 31, 2013 and 2012 are summarized as follows:

<table>
<thead>
<tr>
<th></th>
<th>2013</th>
<th>2012</th>
<th>U.S. dollars</th>
</tr>
</thead>
<tbody>
<tr>
<td>Basic</td>
<td>¥14,182</td>
<td>¥8,570</td>
<td>$150,792</td>
</tr>
<tr>
<td>Adjusted net income available for distribution to shareholders of common stock</td>
<td>¥14,182</td>
<td>¥8,570</td>
<td>$150,792</td>
</tr>
<tr>
<td>Weighted-average number of shares</td>
<td>127,406,786</td>
<td>128,514,527</td>
<td></td>
</tr>
</tbody>
</table>

### 22. CASH AND TIME DEPOSITS

A reconciliation of cash and time deposits in the accompanying consolidated balance sheets at March 31, 2013 and 2012 and cash and cash equivalents in the accompanying consolidated statements of cash flows for the years then ended is as follows:

<table>
<thead>
<tr>
<th></th>
<th>2013</th>
<th>2012</th>
<th>U.S. dollars</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash and time deposits</td>
<td>¥45,653</td>
<td>¥27,184</td>
<td>$496,470</td>
</tr>
<tr>
<td>Time deposits with maturities of more than three months</td>
<td>(136)</td>
<td>(167)</td>
<td>(1,514)</td>
</tr>
<tr>
<td>Cash and cash equivalents</td>
<td>¥45,517</td>
<td>¥26,017</td>
<td>$495,056</td>
</tr>
</tbody>
</table>
23. SEGMENT INFORMATION

(a) Overview of reportable segments

The reportable segments of the Company comprise those entities for which obtaining separate financial reports is possible and that are subject to regular review by the Board of Directors, which decides upon the distribution of management resources to said segments.

From April 2012, the Company has been executing the “Change 2012” business plan. To accomplish the goals set out in this plan, effective April 1, 2012, the Company reorganized four business segments (Chemicals, Plastics, Electronics, and Life Sciences) into product categories to more fully concentrate the strengths of the entire group, reflecting the respective positions of each business within the market, and the way each segment is reported.

This realignment has resulted in five segment categories: Functional Materials (consisting of the top of the value chain, Advanced Materials & Processing located in the next stage of the value chain), Electronics, Automotive & Energy, and Life & Healthcare (functioning on the related industries). Reportable segments have also been restated to reflect this change.

The following describes the major products and services handled by each reportable segment.

The Functional Materials segment is engaged in the sales of materials for paint and printing, textile processing, raw resin material, resin molding, and functional film and coating industries.

The Electronics segment is engaged in the sales of pre-processing materials and devices for LCD, inorganic materials, materials for LCD panels, materials and devices for semiconductor assembly, two-temperatures/vacuum equipment, high-precision parts, and more for the display, touch panel, LCD, semiconductor, electronic components, heavy electrical, and other industries. This segment has resulted from the realignment in five segment categories: Functional Materials (comprising the top of the value chain, Advanced Materials & Processing located in the next stage of the value chain), Electronics, Automotive & Energy, and Life & Healthcare (functioning on the related industries).

The Automotive & Energy segment is engaged in sales of plastic products, thermoplastic resins, thermforming resins, resin molding materials, battery materials, solar cell/solar-related materials, and more for the automotive, automotive component, and energy industries.

The Life & Healthcare segment is engaged in the sales of pharmaceuticals/cosmetics/functional chemicals and materials, research products, in vitro diagnostics, enzymes, food additives, vitamins, flavors, and more for the health and beauty industries. In addition, this segment sells cosmetics, health foods, and beauty foods directly to consumers.

(b) Calculation methods of net sales, income or loss, assets, and other items by reportable segments

As described in Note 3(b), effective April 1, 2012, the Company and certain consolidated subsidiaries have changed its depreciation method from principally the declining-balance method to the straight-line method. As a result of this change, segment income increased in the “Functional Materials” segment, the “Advanced Materials & Processing” segment, the “Electronics” segment, the “Automotive & Energy” segment, and the “Life & Healthcare” segment, and the “company segment” by ¥10 billion (¥2.3 billion, ¥715 million, ¥579 million, ¥892 million, and ¥1.41 billion, respectively) from the corresponding amounts which would have been recorded under the previous depreciation method.

(c) Net sales by reportable segments

Net sales by reportable segments for the year ended March 31, 2013 and 2012 are summarized as follows:

Under the new segmentation policy adopted by the Company, information by reportable segments for the years ended March 31, 2011 and 2010 would have been as follows:

(d) Depreciation and amortization other than amortization of goodwill

Depreciation and amortization other than amortization of goodwill

(e) Increase in tangible and intangible fixed assets

Increase in tangible and intangible fixed assets

(f) Geographical information

Net sales are classified by country or region based on location of customers.

Property, plant and equipment as of March 31, 2013 and 2012 are summarized as follows:

(f) Geographical information

Net sales are classified by country or region based on location of customers.

Property, plant and equipment as of March 31, 2013 and 2012 are summarized as follows:

(g) Inventories

Inventories as of March 31, 2013 and 2012 are summarized as follows:

(h) Accounts receivable

Accounts receivable as of March 31, 2013 and 2012 are summarized as follows:

(i) Goodwill

Goodwill as of March 31, 2013 and 2012 are summarized as follows:

(j) Intangibles

Intangibles as of March 31, 2013 and 2012 are summarized as follows:

(k) Property, plant and equipment

Property, plant and equipment as of March 31, 2013 and 2012 are summarized as follows:

(l) Receivables

Receivables as of March 31, 2013 and 2012 are summarized as follows:

(m) Other current assets

Other current assets as of March 31, 2013 and 2012 are summarized as follows:
(e) Information on loss on impairment of fixed assets per reportable segments

Loss on impairment of fixed assets for the years ended March 31, 2013 and 2012 is as follows:

<table>
<thead>
<tr>
<th>Segment</th>
<th>2013</th>
<th>2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>Others</td>
<td>¥1,359</td>
<td>—</td>
</tr>
<tr>
<td>$326</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>¥211</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>¥1,896</td>
<td>—</td>
<td>—</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Segment</th>
<th>2013</th>
<th>2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>Others</td>
<td>—</td>
<td>$319</td>
</tr>
<tr>
<td>¥54</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>¥373</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>¥455</td>
<td>—</td>
<td>—</td>
</tr>
</tbody>
</table>

24. RELATED PARTY TRANSACTION

On August 10, 2012, the Company acquired treasury stock from Mr. Reiji Nagase, a representative director of the Company, and his relatives Ms. Reiko Nagase and Ms. Yoshiko Umezono as determined by a resolution of the Board of Directors' meeting held on August 9, 2012 through the off-auction own share repurchase trading system (ToSTNeT-3) on the Tokyo Stock Exchange at ¥913 ($9.71) per share, the closing price on August 9, 2012.

25. EFFECT OF BANK HOLIDAY

As the balance sheet date fell on a bank holiday, the following notes receivable and notes payable with due dates of March 31, 2013 and 2012 were included in the respective balances and were settled on the next business day.

<table>
<thead>
<tr>
<th>Segment</th>
<th>2013</th>
<th>2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>Notes receivable</td>
<td>¥2,146</td>
<td>¥2,158</td>
</tr>
<tr>
<td>$22,818</td>
<td>$23,039</td>
<td></td>
</tr>
<tr>
<td>Notes payable</td>
<td>579</td>
<td>579</td>
</tr>
<tr>
<td>$6,156</td>
<td>$6,156</td>
<td></td>
</tr>
</tbody>
</table>

26. SUBSEQUENT EVENT

The following distribution of retained earnings of the Company, which has not been reflected in the accompanying consolidated financial statements for the year ended March 31, 2013, was approved at a meeting of the shareholders held on June 28, 2013:

<table>
<thead>
<tr>
<th>Segment</th>
<th>2013</th>
<th>2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash dividends (¥13.0 = U.S.$0.14 per share)</td>
<td>¥1,647</td>
<td>$17,512</td>
</tr>
</tbody>
</table>

Independent Auditor’s Report

Ernst & Young Japan Limited

The Board of Directors
NAGASE & CO., LTD.

We have audited the accompanying consolidated financial statements of NAGASE & CO., LTD. and its consolidated subsidiaries, which comprise the consolidated balance sheet as at March 31, 2013, and the consolidated statements of income, comprehensive income, changes in net assets, and cash flows for the year then ended and a summary of significant accounting policies and other explanatory information, all expressed in Japanese yen.

Management’s Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in Japan, and for designing and operating such internal control as management determines is necessary to enable the preparation and fair presentation of the consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor’s Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. The purpose of an audit is to express opinions on the effectiveness of the entity’s internal control, but in making those risk assessments the auditor considers internal controls relevant to the entity’s preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of NAGASE & CO., LTD. and its consolidated subsidiaries as at March 31, 2013, the consolidated result of operations and comprehensive income, the consolidated cash flows for the year then ended in conformity with accounting principles generally accepted in Japan.

June 28, 2013
Osaka, Japan

Ernst & Young Shin Nihon LLC
## Consolidated Subsidiaries, Affiliates and Offices

### Manufacturing and Processing

<table>
<thead>
<tr>
<th>Category</th>
<th>Company name</th>
<th>Description of business</th>
<th>Location</th>
<th>Year of establishment</th>
<th>Equity ownership (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Nagase ChemteX Corporation</td>
<td>Research, manufacture, and sale of medicines, formulated products, pharmaceutical intermediates, bioactive materials, functional polymers, pharmaceutical excipients, etc.</td>
<td>Osaka Pref.</td>
<td>1979</td>
<td>100.0</td>
<td></td>
</tr>
<tr>
<td>Key Motors Co., Ltd.</td>
<td>Development, manufacture, and sale of brake fluid, power steering fluid, coolant, transmission fluid, power steering fluid, transmission fluid, lubricants, electronic control units, etc.</td>
<td>Gospa Pref.</td>
<td>1953</td>
<td>100.0</td>
<td></td>
</tr>
<tr>
<td>Nagase Medicole Co., Ltd.</td>
<td>Manufacture and sale of pharmaceuticals, medicinal drugs, health foods, and cosmetics</td>
<td>Nagoya Pref.</td>
<td>1978</td>
<td>100.0</td>
<td></td>
</tr>
<tr>
<td>Sansai Kasei Co., Ltd.</td>
<td>Coloring and sale of plastics</td>
<td>Osaka Pref.</td>
<td>1948</td>
<td>100.0</td>
<td></td>
</tr>
<tr>
<td>Traise Industry, Inc.</td>
<td>Manufacture and sale of plastic products</td>
<td>Osaka Pref.</td>
<td>1952</td>
<td>77.1</td>
<td></td>
</tr>
<tr>
<td>Komatsu Kasei Corp.</td>
<td>Welding, processing, and sale of plastic products</td>
<td>Tsuchi Pref.</td>
<td>1970</td>
<td>100.0 (14.0)</td>
<td></td>
</tr>
<tr>
<td>Nagase Tech Engineering Co., Ltd.</td>
<td>Manufacture, sale, and maintenance of infrastructural vacuum equipment, systems for chemical bodily management and recycling processes, purification systems, and the peripheral equipment for sale of foods.</td>
<td>Tokyo Pref.</td>
<td>1989</td>
<td>100.0</td>
<td></td>
</tr>
<tr>
<td>NKC Ltd.</td>
<td>Research and development of high-performance semiconductors, semiconductor devices, etc., filter cleaning, management of specialty chemicals</td>
<td>Tokyo Pref.</td>
<td>1986</td>
<td>100.0 (38.0)</td>
<td></td>
</tr>
<tr>
<td>Fuku Pomade Chemical Co., Ltd.</td>
<td>Manufacture of color formers</td>
<td>Fuku Pref.</td>
<td>1985</td>
<td>90.0</td>
<td></td>
</tr>
<tr>
<td>Nagase Filtration Co., Ltd.</td>
<td>Filtration, processing, packaging, quality testing and sale of metal filters</td>
<td>Osaka Pref.</td>
<td>2006</td>
<td>100.0</td>
<td></td>
</tr>
<tr>
<td>CAPTECH Co., Ltd.</td>
<td>Manufacture and development of battery power source controllers, battery power sources and power source peripheral equipment.</td>
<td>Akita Pref.</td>
<td>2004</td>
<td>100.0</td>
<td></td>
</tr>
<tr>
<td>Sen Bellis Corporation</td>
<td>Manufacture and sale of fiber sheets, import and sale of fast processing machines and materials</td>
<td>Nagano Pref.</td>
<td>2006</td>
<td>60.0</td>
<td></td>
</tr>
<tr>
<td>Arakawa Mitchens Co., Ltd.</td>
<td>Construction of services for synthetic, plastics products and manufacture and sale of processed products</td>
<td>Osaka Pref.</td>
<td>1968</td>
<td>40.0</td>
<td></td>
</tr>
<tr>
<td>Tenko Roppy Kogyo Corp.</td>
<td>Contract manufacture of cosmetics and health foods</td>
<td>Tokyo Pref.</td>
<td>1968</td>
<td>60.0</td>
<td></td>
</tr>
<tr>
<td>Sh. Kashi Co., Ltd.</td>
<td>Development, manufacture and sale of components for electronic equipment</td>
<td>Osaka Pref.</td>
<td>2003</td>
<td>38.4</td>
<td></td>
</tr>
<tr>
<td>SMM Corporation</td>
<td>Manufacture of electronic equipment, large-scale manufacturing</td>
<td>Tokyo Pref.</td>
<td>1969</td>
<td>49.0 (4.0)</td>
<td></td>
</tr>
<tr>
<td>Kawan Hyogo Corporation</td>
<td>Manufacture and sale of electronic, optical and electronic, and chemical and materials</td>
<td>Bunkyo Pref.</td>
<td>1961</td>
<td>100.0 (12.0)</td>
<td></td>
</tr>
<tr>
<td>Mirror Bio-Fertilizer Co., Ltd.</td>
<td>Manufacture and sale of organic fertilizer</td>
<td>Bunkyo Pref.</td>
<td>1986</td>
<td>100.0 (51.0)</td>
<td></td>
</tr>
<tr>
<td>Naka Naka Farm Corporation</td>
<td>Processing and sale of agricultural and livestock goods</td>
<td>Bunkyo Pref.</td>
<td>2008</td>
<td>90.0 (80.0)</td>
<td></td>
</tr>
<tr>
<td>Digital Wire Technology Co., Ltd.</td>
<td>Design, manufacture, and quality management of thin-film semiconductor devices</td>
<td>Tokyo Pref.</td>
<td>2012</td>
<td>60.0</td>
<td></td>
</tr>
</tbody>
</table>

### Sales

<table>
<thead>
<tr>
<th>Category</th>
<th>Company name</th>
<th>Description of business</th>
<th>Location</th>
<th>Year of establishment</th>
<th>Equity ownership (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Nagase Chemical Co., Ltd.</td>
<td>Sale of dyestuffs, industrial chemicals, chemical water treatment chemicals, plastics and synthetic materials</td>
<td>Tokyo Pref.</td>
<td>1985</td>
<td>100.0</td>
<td></td>
</tr>
<tr>
<td>Nagase Plastic Co., Ltd.</td>
<td>Sale of raw materials for plastics and plastic products</td>
<td>Osaka Pref.</td>
<td>1975</td>
<td>100.0</td>
<td></td>
</tr>
<tr>
<td>Moro Energy Co., Ltd.</td>
<td>Sale of fuel materials, hydrogen, materials, industrial raw materials, etc.</td>
<td>Tokyo Pref.</td>
<td>1974</td>
<td>100.0 (26.5)</td>
<td></td>
</tr>
<tr>
<td>Nagase Beauty Cosmetics Co., Ltd.</td>
<td>Manufacture and sale of cosmetics, toiletries, industrial chemicals, and plastics</td>
<td>Fukuoka Pref.</td>
<td>1989</td>
<td>100.0</td>
<td></td>
</tr>
<tr>
<td>Nagase Delta Co., Ltd.</td>
<td>Manufacture and sale of plastics and plastic products</td>
<td>Tokyo Pref.</td>
<td>1970</td>
<td>100.0</td>
<td></td>
</tr>
<tr>
<td>Nagase Alterative Materials Co., Ltd.</td>
<td>Manufacture and sale of polymers, raw materials and related equipment</td>
<td>Osaka Pref.</td>
<td>1985</td>
<td>100.0</td>
<td></td>
</tr>
<tr>
<td>Nagase Sanri Co., Ltd.</td>
<td>Manufacture of enamels, adhesives and coatings, and industrial materials</td>
<td>Tokyo Pref.</td>
<td>1987</td>
<td>100.0 (53.0)</td>
<td></td>
</tr>
<tr>
<td>Nagase Chromotech Co., Ltd.</td>
<td>Manufacture and sale of chemical products, and technology services</td>
<td>Tokyo Pref.</td>
<td>1970</td>
<td>100.0</td>
<td></td>
</tr>
<tr>
<td>Nagase Tool Works Co., Ltd.</td>
<td>Manufacture of metal products, tool production materials, and industrial materials</td>
<td>Tokyo Pref.</td>
<td>1985</td>
<td>100.0</td>
<td></td>
</tr>
<tr>
<td>NAGASE &amp; CO., LTD.</td>
<td>Purchasing and information services related to dyes, industrial chemicals, etc.</td>
<td>Osaka Pref.</td>
<td>1987</td>
<td>50.0</td>
<td></td>
</tr>
<tr>
<td>Euro Co., Ltd.</td>
<td>Manufacture and sale of electronics and electronics and polystyrene and polyethylene and saccharides</td>
<td>Osaka Pref.</td>
<td>2009</td>
<td>30.0 (25.0)</td>
<td></td>
</tr>
<tr>
<td>Meisei Mill Co., Ltd.</td>
<td>Manufacture, sale, import/export, management consulting, and investment in pharmaceuticals and non-pharmaceuticals</td>
<td>Osaka Pref.</td>
<td>1986</td>
<td>25.0</td>
<td></td>
</tr>
</tbody>
</table>

### Service

<table>
<thead>
<tr>
<th>Category</th>
<th>Company name</th>
<th>Description of business</th>
<th>Location</th>
<th>Year of establishment</th>
<th>Equity ownership (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Nagase Logistics Co., Ltd.</td>
<td>Warehousing and distribution</td>
<td>Osaka Pref.</td>
<td>1986</td>
<td>100.0</td>
<td></td>
</tr>
<tr>
<td>Nippon Freight Service Co., Ltd.</td>
<td>Specialized transport, computer software, warehousing and distribution</td>
<td>Tokyo Pref.</td>
<td>1943</td>
<td>100.0</td>
<td></td>
</tr>
<tr>
<td>Nagase General Service Co., Ltd.</td>
<td>Retail and sales of various goods, real estate administration</td>
<td>Tokyo Pref.</td>
<td>1968</td>
<td>100.0</td>
<td></td>
</tr>
<tr>
<td>Nagase Information Development, Ltd.</td>
<td>Software development and maintenance</td>
<td>Tokyo Pref.</td>
<td>1967</td>
<td>100.0</td>
<td></td>
</tr>
<tr>
<td>Nagase Trade Management Co., Ltd.</td>
<td>Business agent for foreign trade documentation</td>
<td>Tokyo Pref.</td>
<td>1968</td>
<td>100.0</td>
<td></td>
</tr>
<tr>
<td>Nagase Hipco Co., Ltd.</td>
<td>Warehousing and distribution</td>
<td>Tokyo Pref.</td>
<td>1988</td>
<td>100.0</td>
<td></td>
</tr>
<tr>
<td>Nagase Landcom, Ltd.</td>
<td>Real estate services</td>
<td>Bonino Pref.</td>
<td>1974</td>
<td>60.0</td>
<td></td>
</tr>
<tr>
<td>Nagase Logistics Support Co., Ltd.</td>
<td>An acquirer trustee for Nagase Logistics Co., Ltd.</td>
<td>Nagoya Pref.</td>
<td>1954</td>
<td>100.0 (15.0)</td>
<td></td>
</tr>
<tr>
<td>China Co., Ltd.</td>
<td>Insurance agency</td>
<td>Osaka Pref.</td>
<td>1971</td>
<td>40.0</td>
<td></td>
</tr>
<tr>
<td>Diamond Biosciences Inc.</td>
<td>Development of medicines using artificial organs, massaging robots, diagnostic products, pharma-aceuticals</td>
<td>Kanagawa Pref.</td>
<td>2017</td>
<td>40.0</td>
<td></td>
</tr>
</tbody>
</table>
| Category | Company name | Description of business | Location | Year of establishment | Equity ownership (%)
|----------|--------------|-------------------------|----------|-----------------------|------------------------
| Sales    | Nagase (Hong Kong) Ltd. | Import/export, domestic sales, marketing | China | 1971 | 100.0
| Sales    | Shanghai Haizhong Trading Co., Ltd. | Sale of metals and metal products | China | 1980 | 70.8 (22.0)
| Sales    | Martin Brach Office / Nagase Branch Office | | | | |
| Sales    | Shanghai Nagase Trading Co., Ltd. | Import/export, domestic sales, marketing | China | 1987 | 100.0
| Sales    | Nagase Machine Parts Corp. | Sale of products and related products | Taiwan | 1990 | 40.0 (24.0)
| Sales    | Taichung Office / Taipei Office | | | | |
| Sales    | Nagase Office | | | | |
| Sales    | WAP (Pte) Ltd. | Venture for investments into China from Taiwan | England | 2007 | 100.0 (100.0)
| Sales    | Nagase Trading Co., Ltd. | Import/export, domestic sales, marketing | Taiwan | 2003 | 100.0 (100.0)
| Sales    | Michael Branch Office / Cangzhou Branch Office | | | | |
| Sales    | Nagase Office | | | | |
| Sales    | Nagase (China) Co., Ltd. | Import/export, domestic sales, marketing | Taiwan | 1990 | 100.0
| Sales    | Korean Representative Office | | | | |
| Sales    | Taipai Nagase International Trading Co., Ltd. | Import/export, domestic sales, marketing | China | 2003 | 100.0
| Sales    | Suzhou Branch Office / Shanghai Branch Office | | | | |
| Sales    | Nagase Branch Office | | | | |
| Sales    | Nagase Korea Corp. | General import/export trading, retailing/wholeselling, import/export trade agency | Korea | 2001 | 100.0
| Sales    | Nagase General Trading Co., Ltd. | Import/export, domestic sales, marketing | China | 2011 | 100.0
| Sales    | Nagase & Co., Ltd. | Import/export, domestic sales, marketing | Malaysia | 1981 | 100.0
| Sales    | Nagase Philippines International Services Corp. | Import/export, domestic sales, marketing | Philippines | 2005 | 100.0
| Sales    | PT. Toyo Quality One Indonesia | Manufacture of flame laminating products | Indonesia | 2008 | 25.0
| Sales    | KN Platech America Corporation | Manufacture and sale of blow-formed plastic components and products | America | 2010 | 50.0
| Sales    | Engineered Materials Systems Inc. | Research and development, manufacture, and sale of materials for commercial adhesives, conductive adhesives America | 1993 | 100.0 (50.0)
| Sales    | Skytech USA Packaging Technologies Inc. | Manufacture of wafer bumping, manufacturing, and sale of semiconductor manufacturing equipment | America | 2001 | 100.0 (100.0)
| Sales    | Sika Corp. | Manufacture and sale of color formers | America | 1993 | 100.0
| Sales    | Tamiya America Corporations | Manufacture and sale of liquid crystal display components and products | America | 2010 | 100.0
| Sales    | TAIWAN S.A. DE C.V. | Manufacture and sale of automobile interior related products and automobile airbag foam | Mexico | 2010 | 15.0
| Sales    | FUKUOKA OFFICE | Manufacture and sale of automobile seat pads | Malaysia | 2012 | 10.0
| Sales    | Nagase Australia Corp. | Import/export, domestic sales, marketing | Australia | 2001 | 100.0
| Sales    | California Branch | | | | |
| Sales    | Nagase Europe GmbH | Manufacture and sale of semiconductor manufacturing equipment Germany | 2005 | 73.5
| Sales    | Nagase America Corp. | Import/export, domestic sales, marketing | America | 1971 | 100.0
| Sales    | Michigan Branch | | | | |
| Sales    | Nagase (Europa) GmbH | Import/export, domestic sales, marketing | Germany | 1980 | 100.0
| Sales    | Nagase Enterprise Mexico S.A. de C.V. | Import/export sales, intermediate trade, market development, information collection | Mexico | 2010 | 100.0 (100.0)
| Sales    | FAC TECH PACKAGING TECHNIK GMBH | Supply of technical information to Brazil and South America, review other development businesses in the region | Brazil | 2012 | 100.0 (100.0)
| Sales    | Fac Tech Packaging Technologies GmbH | Supply of wafer bumping, manufacturing, and sale of semiconductor manufacturing equipment | Germany | 2005 | 73.5
| Sales    | Nagase (Europe) GmbH | Import/export, domestic sales, marketing | Germany | 1980 | 100.0
| Sales    | Nagase (Thailand) Co., Ltd. | Import/export, domestic sales, marketing | Thailand | 1980 | 100.0
| Sales    | Southeast Office | | | | |
| Sales    | Nagase Singapore (Pte) Ltd. | Import/export, domestic sales, marketing | Singapore | 1975 | 100.0
| Sales    | Nagase Korea Co., Ltd. | Import/export, domestic sales, marketing | Korea | 2001 | 100.0
| Sales    | Nagase Finechem Singapore (Pte) Ltd. | Manufacture and recycling of chemical agents for liquid crystals | Singapore | 2001 | 100.0 (40.0)
| Sales    | PT. Nippon Kasei-Kogyo Indonesia | Import/export, domestic sales, marketing | Indonesia | 1996 | 100.0 (10.0)
| Sales    | PT. Nippon Kasei-Kogyo Indonesia | Import/export, domestic sales, marketing | Indonesia | 2000 | 100.0 (30.0)
| Sales    | PT. Nippon Kasei-Kogyo Indonesia | Import/export, domestic sales, marketing | Indonesia | 2000 | 100.0 (30.0)
| Sales    | PT. Nippon Kasei-Kogyo Indonesia | Import/export, domestic sales, marketing | Indonesia | 2000 | 100.0 (30.0)
| Sales    | PT. Nippon Kasei-Kogyo Indonesia | Import/export, domestic sales, marketing | Indonesia | 2000 | 100.0 (30.0)
| Sales    | PT. Nippon Kasei-Kogyo Indonesia | Import/export, domestic sales, marketing | Indonesia | 2000 | 100.0 (30.0)
Corporate Information

April 2012 April 2013

<table>
<thead>
<tr>
<th>Code</th>
<th>912</th>
</tr>
</thead>
</table>

<table>
<thead>
<tr>
<th></th>
<th>NAGASE &amp; CO., LTD.</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Company Name</strong></td>
<td>NAGASE &amp; CO., LTD.</td>
</tr>
<tr>
<td><strong>Established</strong></td>
<td>December 9, 1897</td>
</tr>
<tr>
<td><strong>Capital</strong></td>
<td>¥9,699 million</td>
</tr>
<tr>
<td><strong>Employees</strong></td>
<td>912 (Consolidated: 5,880)</td>
</tr>
</tbody>
</table>

| **Main Business** | Import/export and domestic sales of dyestuffs, chemicals, plastics, machinery, electronics materials, cosmetics and health foods |
| **Main Banks** | Sumitomo Mitsui Banking Corporation, The Bank of Tokyo-Mitsubishi UFJ, Ltd., Mizuho Corporate Bank, Ltd., Sumitomo Mitsui Trust Bank, Limited |

<table>
<thead>
<tr>
<th><strong>NAGASE &amp; CO., LTD.</strong></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Company Name</strong></td>
<td>NAGASE &amp; CO., LTD.</td>
</tr>
<tr>
<td><strong>Established</strong></td>
<td>June 18, 1832</td>
</tr>
<tr>
<td><strong>Capital</strong></td>
<td>¥9,699 million</td>
</tr>
<tr>
<td><strong>Employees</strong></td>
<td>912 (Consolidated: 5,880)</td>
</tr>
<tr>
<td><strong>Main Business</strong></td>
<td>Import/export and domestic sales of dyestuffs, chemicals, plastics, machinery, electronics materials, cosmetics and health foods</td>
</tr>
</tbody>
</table>

**Composition of Shareholders**

<table>
<thead>
<tr>
<th><strong>Principal Shareholders</strong></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Outstanding Shares</strong></td>
</tr>
<tr>
<td><strong>Main Business</strong></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th><strong>NAGASE &amp; CO., LTD.</strong></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Company Name</strong></td>
<td>NAGASE &amp; CO., LTD.</td>
</tr>
<tr>
<td><strong>Established</strong></td>
<td>June 18, 1832</td>
</tr>
<tr>
<td><strong>Capital</strong></td>
<td>¥9,699 million</td>
</tr>
<tr>
<td><strong>Employees</strong></td>
<td>912 (Consolidated: 5,880)</td>
</tr>
<tr>
<td><strong>Main Business</strong></td>
<td>Import/export and domestic sales of dyestuffs, chemicals, plastics, machinery, electronics materials, cosmetics and health foods</td>
</tr>
</tbody>
</table>

**History**

1. Established Sofix Corp.
2. Set up the Nagase R&D Center in Kobe
3. Established joint venture Nagase Wahlee Plastics Corp. (Taiwan)
4. Established business ties with Basel Chemical Co. of Switzerland (now BASF)
5. Established Nagase Philippines Corp.
6. Established Shanghai Nagase Trading Co., Ltd.
7. Established Nagase Engineering Service Korea Co., Ltd.
8. Established business ties with Eastman Kodak Co. of the United States
9. Established Nagase Korea Corp.
10. Established P.T. Nagase Impor-Ekspor Indonesia
11. Established Nagase FineChem Singapore (Pte) Ltd.
12. Established Nagase Precision Plastics Shanghai Co., Ltd.
14. Established a representative office in Hanoi, Vietnam
15. Established Nagase ChemteX (Wuxi) Corp.
16. Established Totaku Industries Suzhou Co., Ltd.
17. Established Nagase Electronics Technology Co., Ltd.
18. Established Nagase Philippines International Services Corp.
19. Concluded an exclusive distributorship agreement with General Electric Co. of the United States
20. Established Nagase-CIBA Ltd. (now Nagase ChemteX Corp.) jointly with Ciba-Geigy Ltd.

**Investor Information**

<table>
<thead>
<tr>
<th><strong>Composition of Shareholders</strong></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Outstanding Shares</strong></td>
</tr>
<tr>
<td><strong>Main Business</strong></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th><strong>NAGASE &amp; CO., LTD.</strong></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Company Name</strong></td>
<td>NAGASE &amp; CO., LTD.</td>
</tr>
<tr>
<td><strong>Established</strong></td>
<td>June 18, 1832</td>
</tr>
<tr>
<td><strong>Capital</strong></td>
<td>¥9,699 million</td>
</tr>
<tr>
<td><strong>Employees</strong></td>
<td>912 (Consolidated: 5,880)</td>
</tr>
<tr>
<td><strong>Main Business</strong></td>
<td>Import/export and domestic sales of dyestuffs, chemicals, plastics, machinery, electronics materials, cosmetics and health foods</td>
</tr>
</tbody>
</table>

**History**

1. Established Sofix Corp.
2. Set up the Nagase R&D Center in Kobe
3. Established joint venture Nagase Wahlee Plastics Corp. (Taiwan)
4. Established business ties with Basel Chemical Co. of Switzerland (now BASF)
5. Established Nagase Philippines Corp.
6. Established Shanghai Nagase Trading Co., Ltd.
7. Established Nagase Engineering Service Korea Co., Ltd.
8. Established business ties with Eastman Kodak Co. of the United States
9. Established Nagase Korea Corp.
10. Established P.T. Nagase Impor-Ekspor Indonesia
11. Established Nagase FineChem Singapore (Pte) Ltd.
12. Established Nagase Precision Plastics Shanghai Co., Ltd.
14. Established a representative office in Hanoi, Vietnam
15. Established Nagase ChemteX (Wuxi) Corp.
16. Established Totaku Industries Suzhou Co., Ltd.
17. Established Nagase Electronics Technology Co., Ltd.
18. Established Nagase Philippines International Services Corp.
19. Concluded an exclusive distributorship agreement with General Electric Co. of the United States
20. Established Nagase-CIBA Ltd. (now Nagase ChemteX Corp.) jointly with Ciba-Geigy Ltd.